

Official Statement

City of San Jose

Santa Clara County, California

\$4,000,000

Airport Revenue Bonds

Series of 1976

BIDS TO BE RECEIVED BY THE CITY CLERK OF THE CITY OF SAN JOSE ON OR BEFORE 10:00 A.M., TUESDAY, JUNE 29, 1976, AT THE OFFICE OF THE CITY CLERK, CITY HALL, SAN JOSE, CALIFORNIA.





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CITY OF SAN JOSE
Santa Clara County, California

CITY COUNCIL

Janet Gray Hayes, *Mayor*

Joseph A. Colla
Alfredo Garza, Jr.
Roy B. Naylor, *Vice Mayor*

Lawrence R. Pegram
James E. Self
Susanne B. Wilson

Airport Commission

Joseph G. Schumb, Jr., *Chairman*

Gabriel Garcia
Thomas E. Leonard
Robert Locks

Gregory Masegian
Marilyn Nyman
Ernest Renzel

City Staff

Ted Tedesco, *City Manager*

Francis L. Greiner, *City Clerk*
Kent South, *Director of Finance*

Peter G. Stone, *City Attorney*
James R. Mettler, *Director of Aviation*

Professional Services

Orrick, Herrington, Rowley & Sutcliffe, San Francisco
Bond Counsel

Stone & Youngberg Municipal Financing Consultants, Inc., San Francisco
Financing Consultants

Wells Fargo Bank, San Francisco
Fiscal Agent

Chemical Bank, New York
Continental Illinois National Bank and Trust Company, Chicago
Paying Agents

THE DATE OF THIS OFFICIAL STATEMENT IS JUNE 1, 1976

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TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on, and buyers of, \$4,000,000 principal amount of Airport Revenue Bonds, Series of 1976, proposed to be issued by the City of San Jose, California.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultants to the City (which firm will receive compensation from the City contingent upon the sale and delivery of the Bonds). Summaries of the Supplemental Resolution and Original Resolution and other documents and reports contained herein do not purport to be complete or authoritative and reference is made to such documents on file at the offices of the City of San Jose for further information concerning legal and/or technical matters.

This Official Statement is not to be construed as a contract with the purchasers of the Series of 1976 Bonds. The agreements of the City with the purchasers of the Bonds are set forth in the Supplemental Resolution and Original Resolution, copies of which will be made available upon request. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The legal opinion approving the validity of the Bonds will be furnished by Orrick, Herrington, Rowley & Sutcliffe, San Francisco, Bond Counsel. The scope of Bond Counsel's employment in connection with the review of this Official Statement has been limited to reviewing the statements of law and legal conclusions set forth herein under the caption "The Bonds".

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The execution and distribution of this Official Statement have been authorized by the City.

Dated: June 1, 1976

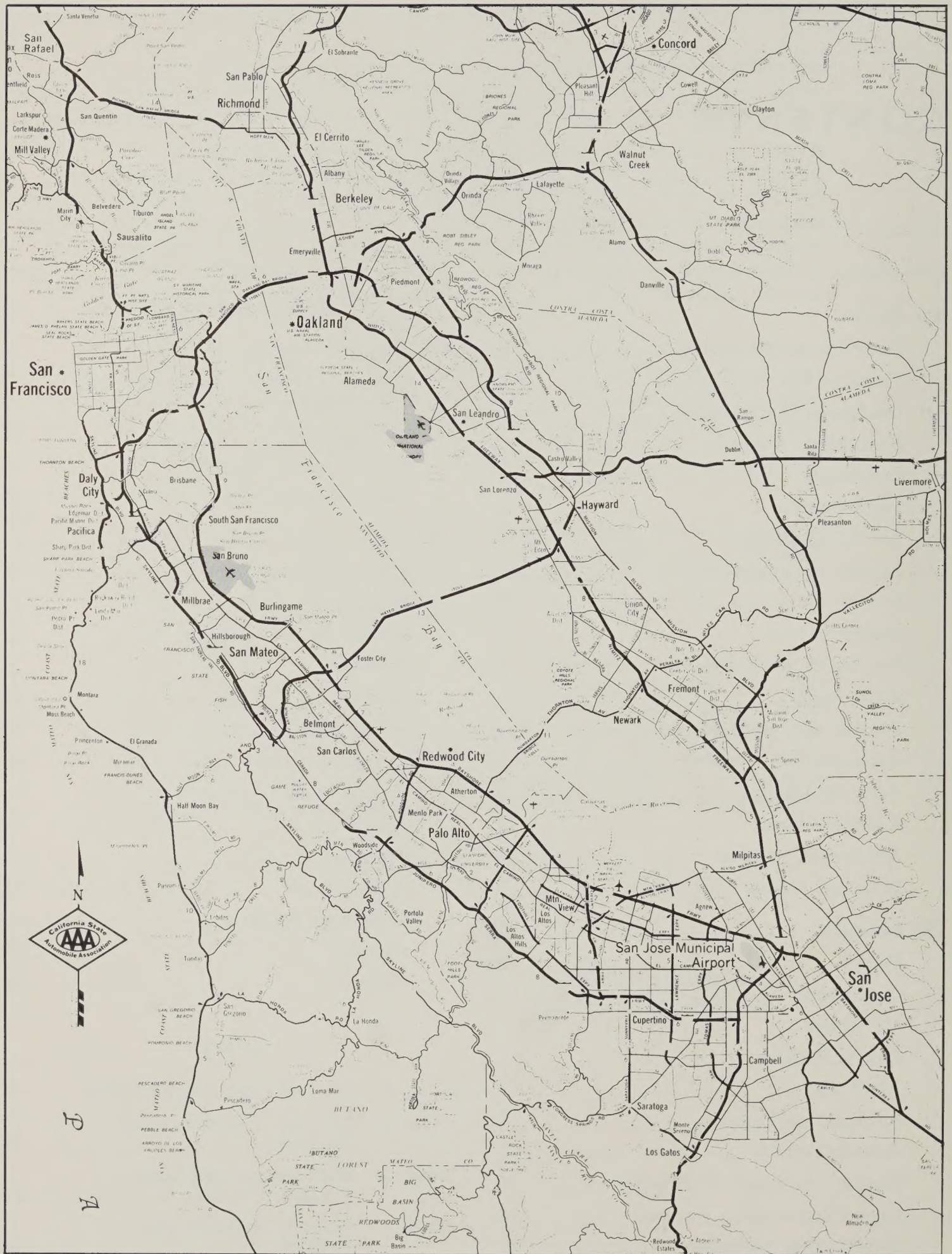
JANET GRAY HAYES, *Mayor*
City of San Jose, California

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San Jose and Vicinity.

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INTRODUCTION

San Jose Municipal Airport is the newest of three major airports in the San Francisco Bay Area. The airport serves the most heavily traveled air corridor in the world—the Southern California/Bay Area Corridor. Operations commenced at San Jose in 1946 utilizing a 1,900-foot unpaved landing strip and, since that time, it has grown to be one of California's busiest airports. Scheduled air service was inaugurated in 1949. In 1975 over 429,000 aircraft movements and 2,311,000 air passengers were recorded.

The City of San Jose, a charter city, is one of the oldest cities in the State of California, having been founded in 1777 and incorporated in 1850. Located at the southern extremity of San Francisco Bay, it has become one of the most rapidly developing industrial and residential areas in the state. The San Jose Municipal Airport's growth reflects the growth of the San Jose Metropolitan Area.

The City's present population is estimated to be 557,700, while Metropolitan San Jose is estimated to have 1,178,000 residents. These population figures reflect growth since 1960 of 173 percent and 83 percent, respectively. In 1975, Metropolitan Transportation Commission conducted a survey and reported that Metropolitan San Jose accounted for approximately 17.5 percent of the 20,770,490 air passengers accommodated by Bay Area air carrier airports. The principal stimulus for the continuing growth in the area has been an ever-expanding population, income and employment situation with particular demand for employees in manufacturing and research firms.

At the end of 1974 there were approximately 158,900 manufacturing employees in Metropolitan San Jose. There are more than 1,600 manufacturing firms located in Metropolitan San Jose, among which some of the largest are: Ford Motor Company, Kaiser Cement and Gypsum, General Electric, International Business Machines, FMC Corp., and Hewlett-Packard Co. The largest employer is the

Lockheed Missiles and Space Company, presently employing approximately 17,000 persons. There are more than 60 industries in the area which employ more than 500 persons in their facilities.

The \$4,000,000 of Airport Revenue Bonds Series of 1976 currently being offered for sale will be used together with anticipated United States Department of Transportation Airport Aid Development Program grants to finance a program of improvements planned through 1978/79. Considerable acquisition of adjacent land and rights in land to reduce the airport's implied environmental impact on the community are the major items within the program. Details of the program are to be found in "The Enterprise" section of this Official Statement.

All the gross revenues, as defined in the original Resolution of Issuance, of the Enterprise are pledged to the bonds and the City pledges to maintain net revenues equal to at least 1.25 times annual revenue bond debt service. Additional revenue bonds secured by the same revenues cannot be issued unless a more stringent earnings test (1.35 times maximum annual debt service on all outstanding and additional bonds) and other conditions as specified in the Resolution for the Issuance have been met.

Based on projected net revenues of the Enterprise for the four full operating years 1976/77 through 1979/1980, a gross coverage ratio of not less than 9.49 and a net coverage ratio of not less than 2.97 times total annual debt service for the 1974 Bonds and 1976 Bonds is anticipated.

As additional security for the bondholders, the following measures have been adopted:

- A Bond Reserve equal to maximum annual debt service is required to be maintained for the life of the bond issue.
- The City is required to transfer to the Fiscal Agent on or before the 10th day of each calendar month an amount equal to one-fifth of the next semi-annual interest payment and to transfer one-tenth of the next payment of principal on the bonds until sufficient money has been accumulated to meet the next succeeding installments of principal and/or interest.

This Official Statement describes the bonds now being offered, the facilities and operating data of the Airport Enterprise, the Capital Improvement Program and the economic characteristics of the City of San Jose and adjacent area.

THE BONDS

Authority for Issuance

The \$4,000,000 principal amount of San Jose Airport Revenue Bonds, Series of 1976 (herein sometimes called the "1976 Bonds"), are to be issued pursuant to Resolution No. 45333 (the "Resolution") of the City Council of the City of San Jose, adopted March 12, 1974, and Resolution No. 47675 (the "Supplemental Resolution") of the City Council of the City of San Jose, adopted June 1, 1976. The 1976 Bonds are being issued on a parity with \$3,000,000 Airport Revenue Bonds, Series of 1974 (herein sometimes called the "1974 Bonds"), which were issued pursuant to the Resolution. The basic authority for the issuance of revenue bonds (the "Bonds" or the "bonds") by the City is provided under Section 1220 of the City Charter and the Constitution of the State of California. Specific authority to issue the revenue bonds is given in Chapter 6F of Article II of the San Jose Municipal Code (commencing with Section 2620.1) which also incorporates the provisions, with certain stated exceptions, of the Revenue Bond Law of 1941 (commencing with Section 54300 of the California Government Code) as it read on December 11, 1973. A copy of the Supplemental Resolution which describes the 1976 Bonds and their terms and conditions accompanies this Official Statement.

Any additional Airport Revenue Bonds issued on a parity with the 1974 Bonds and 1976 Bonds will require separate authorization. Moreover, the issuance of additional parity bonds is subject to an earnings test as well as to other provisions stated in the Resolution.

Terms of Sale

Bids for the purchase of the Airport Revenue Bonds, Series of 1976 will be received by the City up to the hour of 10:00 a.m., Tuesday, June 29, 1976, at the office of the City Clerk, City Hall, San Jose, California. Details as to the terms of sale are included in the Official Notice of Sale.

Description of the Bonds

The 1976 Bonds consist of \$4,000,000 aggregate principal amount, in coupon form, numbered 1 to 800, inclusive, each in the denomination of \$5,000, and all dated June 1, 1976. Bonds will mature in the following amounts on March 1 of the years specified.

SCHEDULE OF MATURITIES

Year	Principal Amount	Year	Principal Amount
1978	\$ 65,000	1990	\$155,000
1979	70,000	1991	165,000
1980	75,000	1992	175,000
1981	80,000	1993	190,000
1982	85,000	1994	205,000
1983	90,000	1995	220,000
1984	100,000	1996	235,000
1985	105,000	1997	255,000
1986	115,000	1998	270,000
1987	125,000	1999	290,000
1988	135,000	2000	315,000
1989	140,000	2001	340,000

Interest is payable on September 1, 1976, in the amount of three months' interest from June 1, 1976 to September 1, 1976, and semiannually thereafter on March 1 and September 1 of each year. Interest and principal are payable at the principal office of the Fiscal Agent in San Francisco, California, or in the case of coupon bonds are also payable at the paying agents of the City in Chicago, Illinois and New York, New York.

Redemption Provisions

1976 Bonds due on or before March 1, 1987 (a total principal amount of \$910,000) are not subject to redemption before their respective stated maturities. 1976 Bonds due on or after March 1, 1988 (a total principal amount of \$3,090,000) are subject to call and redemption prior to their respective stated maturities, at the option of the City, as a whole on any date on or after March 1, 1987, or in part on any interest payment date on or after March 1, 1987 in inverse order of maturities and by lot within any such maturity if less than all of the bonds of such maturity be redeemed, from any source of available funds, at the principal amount thereof and accrued interest thereon to the date fixed for redemption plus

a premium as hereinafter set forth. The premium for any bonds redeemed shall be equal to one-quarter of one percent of the principal amount for each year or fraction thereof remaining between the date fixed for redemption and their respective stated maturities, except that such premium will not exceed 3½ % of such principal amount.

Registration

The 1976 Bonds will initially be issued as bearer coupon bonds. Bearer bonds may be exchanged for fully registered bonds for a fee of not to exceed \$5.00 per bond, except for the first exchange, which will be free of charge.

Legal Opinion

The legal opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, bond counsel for the City of San Jose, attesting to the validity of the 1976 Bonds, will be supplied free of charge to the original purchasers. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each bond without charge to the successful bidder. See the fourth paragraph of the "To Whom It May Concern" section of this Official Statement regarding the scope of bond counsel's review of this Official Statement.

Bond Counsel's fee is payable from the proceeds of the bonds and is contingent upon bond delivery, except if the bonds are not issued and the project is abandoned, bond counsel will receive a fee based upon the amount of work performed to said time of abandonment.

Tax Exempt Status

In the opinion of bond counsel, interest on the 1976 Bonds is exempt from federal income taxes and State of California personal income taxes under existing statutes, regulations and court decisions.

Legality for Investment

The State Superintendent of Banks has issued a certificate of eligibility for investment by commercial banks in the state. It is believed that the bonds qualify for investment by commercial banks under Section 1362 of the Financial Code of the State of California and that the bonds are eligible for investment in California by insurance companies and trust companies, and that the bonds may also be used

as security for the deposit of public moneys in banks in the State.

Security

The Bonds and the interest thereon are payable from and secured by a first pledge, charge and lien on the gross revenues of the Enterprise. As stated in the Resolution, the Enterprise is generally defined as the entire San Jose Municipal Airport subject to and under the jurisdiction of the City Council as the system now exists, together with any future additions, improvements or extensions, including the improvements to be financed by issuance of the 1976 Bonds described in this Official Statement.

Gross revenues mean all charges received for, and all other income and receipts derived from, the operation of the Enterprise or arising from the Enterprise as defined in the Resolution subject to the following exceptions:

- (1) any money received by or for the account of the City from the levy or collection of taxes,
- (2) moneys received from the State of California and the United States of America and required to be deposited in restricted funds,
- (3) lease deposits and security deposits,
- (4) moneys required to be paid to the State of California and the United States of America pursuant to agreements with the City and
- (5) moneys received from insurance proceeds or the sale of or upon the taking by or under the threat of eminent domain of all or any part of the Enterprise.

The Bonds are revenue bonds and do not constitute a debt of the City of San Jose, nor may any recourse be had for their payment to the taxing power, property or other income of the City.

To further secure payment of the Bonds, special funds which are listed in the following sections have been established and are required to be maintained for the life of the Bonds.

Purpose of Issue

The proceeds of the 1976 Bonds will be used together with anticipated Federal grants to continue a program of land acquisition for approach and clear zone lands and for other related airport purposes which are more fully discussed in the section of this Official Statement entitled "The Enterprise." Proceeds from the 1976 Bonds will be utilized in approximately the following manner.

Land Acquisition	\$3,495,770
Reserve Fund	364,230
Costs of Bond Issuance	60,000
Bond Discount	80,000
Amount of Bond Issue	<u>\$4,000,000</u>

Creation of Special Funds

The Resolution provided for the creation of special funds for control of the proceeds of the Bonds and the revenues of the Enterprise. The summary presented below shows the special accounts and also indicates the flow of funds from the Revenue Fund, the amount of initial deposit (if any), and whether investment of money held in the various funds is permissible. All funds listed below, with the exception of the Principal and Interest Funds, are to be established and maintained in the City Treasury. Special aspects of these funds are discussed in subsequent sections of this Official Statement.

Fiscal Agent

The Wells Fargo Bank, San Francisco, California, is the fiscal agent for the Bonds. The fiscal agent receives monthly transfers of revenues for payment of bond interest and principal in accordance with the Resolution. In addition to holding and administering the Principal and Interest Funds of the City, the fiscal agent invests such funds. The fiscal agent also acts

as paying agent of the City, paying bond interest and principal. Additionally, the fiscal agent acts as bond registrar and will authenticate all registered bonds.

Disposition of Bond Proceeds

The Supplemental Resolution provides that the Director of Finance of the City will receive the proceeds from sale of the 1976 Bonds and will apply them as follows:

Interest Fund. The accrued interest and premium, if any, paid by the purchaser of the bonds will be deposited in the Interest Fund.

Bond Reserve Fund. A sum sufficient to increase the fund to the amount of the maximum annual debt service on all outstanding Bonds will be deposited in the Bond Reserve Fund from bond proceeds.

Improvement Fund. The balance of the proceeds are to be placed in the Improvement Fund and used for the purposes for which the bonds were issued. Money in the fund may be invested in bank deposits or in authorized securities maturing not later than the day it is needed. Interest received or other earnings from investment of money in the Improvement Fund will remain in this fund. Any balance remaining in the Improvement Fund after the full accomplishment of the purposes for which the bonds were issued shall be deposited in the Revenue Fund. This transfer shall be made no later than June 1, 1979 for any balance from the 1976 Bonds.

AIRPORT REVENUE BONDS

Sources and Flow of Funds

	Amount of Initial Deposit	Priority in Transfer from Revenue Fund	Investment Permitted
Revenue Fund			Yes
Interest Fund	Accrued Interest and Premium	1	Yes
Principal Fund	—	2	Yes
Bond Reserve Fund	Amount Equal to Maximum Annual Debt Service	3 (if required)	Yes
Maintenance & Operation Fund①	—	4	Yes
Surplus Revenue Fund②		5	Yes

① All moneys remaining in the Revenue Fund after transfers to funds having a higher order of priority have been made are available for payment of maintenance and operation costs.

② Surplus Revenues are designated as the residual balance remaining in the Revenue Fund after the required transfers and payments indicated above have been made.

Application of Revenues

Under the terms of the Resolution, the gross revenues of the Enterprise are deposited, as received, in the Revenue Fund in the City Treasury, and used only for the purpose set forth below.

Interest and Principal Funds. On or before the tenth day of each calendar month, first an amount equal to one-fifth of the next interest payment on all outstanding bonds and second, an amount equal to one-tenth of the next payment of principal on the bonds is transferred to the fiscal agent and held by the fiscal agent in these funds until sufficient money has been accumulated to meet the next succeeding installments of interest and principal. Moneys in the funds may be invested in bank deposits or in securities maturing not later than the time the money is required.

Bond Reserve Fund. Under the terms of the Resolution, a Bond Reserve Fund equal to the maximum annual debt service was created from 1974 Bond proceeds, and such fund must at all times be maintained in an amount equal to the maximum annual debt service.

The Reserve Fund can be used only to pay principal and interest on the bonds in the event no other funds are available for that purpose, and whenever drawn upon, must be replenished from available revenues following required Interest Fund and Principal Fund deposits. Moneys in the fund may be used to retire the last outstanding bonds of the issues and may be invested in Bank deposits or authorized securities maturing not more than 12 years from the date of purchase. Interest or other earnings obtained by investment of the Reserve Fund will be deemed to be gross revenues of the Enterprise and placed in the Revenue Fund.

Maintenance and Operation Fund. After making the transfers required above, on or before the tenth day of each month 1/12th of the amount budgeted for maintenance and operation costs of the Enterprise, as defined in the Resolution, for that fiscal year shall be transferred to the Maintenance and Operation Fund and used to pay maintenance and operation costs.

Surplus Revenue Fund. Any moneys in excess of that required to be transferred as described in the preceding paragraphs, will be treated as surplus revenues and deposited in the Surplus Revenue Fund and be used for any of the following purposes: first

to pay principal and interest on an installment Revenue Note of the City dated June 23, 1966 in an outstanding amount of \$240,000 maturing June 23, 1981, and secondly at the option of the City Council (1) extensions and betterments of the Enterprise, (2) maintenance and operation expenses not otherwise provided for, (3) for purchase of any outstanding bonds at public or private sale, subject to the limitations on purchase price, or (4) any lawful purpose of the City.

Rates and Charges

The City of San Jose covenants that so long as any of the bonds are outstanding it will fix, prescribe, and collect such charges for the services and facilities of the Enterprise which will yield annual net revenues equal to at least 1.25 times annual bond service requirements. Bond service includes interest, maturing principal and minimum sinking fund payments, when applicable.

Net revenues are defined as the gross revenues of the Enterprise remaining after payment of necessary and reasonable maintenance and operation costs, including reasonable expenses of management, repair and other expenses necessary to operate, maintain and preserve the Enterprise, but not including depreciation or interest expense.

Additional Bonds

The Resolution provides that additional series of parity Revenue Bonds may be issued, if the following conditions have been satisfied:

1. The maturity date of the additional bonds last to mature must not be earlier than the final maturity date of any bonds then outstanding. Additional bonds must mature on March 1 of each year in which principal falls due, and the additional bonds must either mature serially or be payable from sinking fund payments on or before their respective maturity dates.

2. Either the actual annual net revenues of the Enterprise for the preceding twelve months ending at least 90 days prior to adoption of the supplemental resolution (or the last completed fiscal year), or the actual net revenues together with 75 percent of the estimated additional average annual net revenues for the first twenty-four month period beginning when each portion of the improvements financed by the additional bonds is to become operational and revenue producing, must equal at least 1.35 times the maximum combined annual debt service on the out-

standing bonds and the additional bonds. The estimate of future annual net revenues must be made by a qualified airport consultant appointed by the City Council.

In addition, the Resolution permits credit for estimated future earnings from increased rates and charges in determining whether additional bonds can be issued, as follows: an allowance will be made for earnings arising from an increase in rates and charges which has become effective prior to the issuance of additional bonds, but which was not in effect for all or part of the latest fiscal year (or, alternatively, the preceding twelve months), in an amount equal to 75 percent of the annualized increased net revenues, as certified by a qualified airport consultant.

3. The Reserve Fund must be increased, if necessary, to an amount equal to the maximum annual debt service on all bonds outstanding, including the additional bonds, in any one fiscal year thereafter.

4. The City must be in compliance under the Resolution at the time of issuance of the additional bonds.

Additional Covenants

Additional covenants contained in the Resolution include the following:

1. To punctually pay or cause to be paid the principal and interest on all bonds issued under the Resolution, solely from revenues, together with any applicable premium, in strict conformity with the terms of the bonds and the Resolution and to observe the covenants of the Resolution.

2. To promptly commence and complete the acquisition and construction of the improvements for which the bonds are issued.

3. To maintain and preserve the Enterprise in good repair and working order from revenues available for such purpose, and operate it efficiently and economically.

4. Not to sell or otherwise dispose of the Enterprise, except as provided in the Resolution.

If all or any substantial part of the Enterprise is condemned or sold under threat of condemnation,

the net proceeds of such award or sale must be applied to the construction and/or acquisition of new facilities or used to retire or redeem outstanding bonds.

5. To pay all lawful claims for labor, materials or supplies, taxes and assessments which, if unpaid, might impair the security of the bonds.

6. To maintain all such insurance against such risks which are usually insured against in connection with similar enterprises. Any insurance proceeds from loss to the Enterprise are to be used to restore it to use. Any excess insurance proceeds shall be transferred to the Revenue Fund.

7. To keep proper books of record and accounts covering the Enterprise and all transactions relating to the Enterprise. These books will be subject at all times during business hours to inspection by holders of not less than ten percent of the outstanding bonds. To have the records and accounts audited annually by an independent certified public accountant(s). Copies of the audit will be filed with the fiscal agent.

To prepare, annually, not more than four months after the close of each fiscal year, a statement showing statement of income, retained earnings and changes in financial position, together with a balance sheet showing the balances in all funds and accounts, and a general statement of the physical condition of the Enterprise, and a statement of insurance in force. Copies of this statement will be furnished to any bondholder upon request.

8. Not to invest the proceeds of the bonds in such a manner which would result in the bonds being taxable "arbitrage bonds" within the meaning of section 103(d), Internal Revenue Code of 1954, as amended.

Estimated Annual Bond Service

Table 1 presents an estimate of total annual bond service on the 1976 Airport Revenue Bonds and 1974 Bonds. Bond service on the 1976 Bonds is based on an estimated interest rate of seven and one-half percent per annum.

Table 1

CITY OF SAN JOSE AIRPORT REVENUE BONDS

Estimated Annual Bond Service

Year Ending March 1	\$4,000,000 1976 Issue				1974 Issue Bond Service	Estimated Total Bond Service
	Bonds Outstanding	Principal Maturing	Interest @ 7½ %	Bond Service		
1977	\$4,000,000	\$ —	\$ 225,000 ^②	\$ 225,000	\$ 262,657	\$ 487,657
1978	4,000,000	65,000	300,000	365,000	261,708	626,708
1979	3,935,000	70,000	295,125	365,125	260,407	625,532
1980	3,865,000	75,000	289,875	364,875	258,758	623,633
1981	3,790,000	80,000	284,250	364,250	261,757	626,007
1982	3,710,000	85,000	278,250	363,250	259,058	622,308
1983	3,625,000	90,000	271,875	361,875	262,042	623,917
1984	3,535,000	100,000	265,125	365,125	259,855	624,980
1985	3,435,000	105,000	257,625	362,625	262,580	625,205
1986	3,330,000	115,000	249,750	364,750	259,330	624,080
1987	3,215,000	125,000	241,125	366,125	260,993	627,118
1988	3,090,000	135,000 ^①	231,750	366,750	262,080	628,830
1989	2,955,000	140,000 ^①	221,625	361,625	262,345	623,970
1990	2,815,000	155,000 ^①	211,125	366,125	262,020	628,145
1991	2,660,000	165,000 ^①	199,500	364,500	261,105	625,605
1992	2,495,000	175,000 ^①	187,125	362,125	264,600	626,725
1993	2,320,000	190,000 ^①	174,000	364,000	262,000	626,000
1994	2,130,000	205,000 ^①	159,750	364,750	263,800	628,550
1995	1,925,000	220,000 ^①	144,375	364,375	259,700	624,075
1996	1,705,000	235,000 ^①	127,875	362,875	—	362,875
1997	1,470,000	255,000 ^①	110,250	365,250	—	365,250
1998	1,215,000	270,000 ^①	91,125	361,125	—	361,125
1999	945,000	290,000 ^①	70,875	360,875	—	360,875
2000	655,000	315,000 ^①	49,125	364,125	—	364,125
2001	340,000	340,000 ^①	25,500	365,500	—	365,500
		\$4,000,000	\$4,962,000	\$8,962,000	\$4,966,795	\$13,928,795

① Callable on or after March 1, 1987.

② Nine months' interest.

THE ENTERPRISE

History

The San Jose Municipal Airport had its beginning in 1945, with the lease of approximately 16 acres of farm land from the City to Mr. James M. Nissen, who managed the Airport from that time until his retirement in 1975. Mr. Nissen and his associates formed an operating company which undertook the construction of a 1,900 foot runway, a hangar and office building. Flight operations began a year later, in 1946.

In the fall of 1948, the City assumed the operation of the airport from the private operators. To date, over \$17.5 million has been invested in the airport, with \$8 million coming from Federal and State sources. Present facilities include a land area of 1,050 acres, a \$4,000,000 terminal building completed in 1965 and expanded in 1969, 1970, and 1971, maintenance buildings, a 2,600 space at-grade vehicular parking facility, and a F.A.A. tower.

Organization

The operation of the Airport Department of the City of San Jose is under the direction of Mr. James R. Mettler, Director of Aviation. Mr. Mettler was appointed to this position in October, 1975. His past experience includes the positions of airport manager at Mason City, Iowa, El Paso, Texas, and Los Angeles International Airport.

The Airport Department has a staff of 125, and operating functions include engineering, accounting, property management, public safety and fuel operations.

Air Service

San Jose Municipal Airport is currently served by eleven airlines. In addition to the operating airlines, Delta Air Lines and National Airlines maintain ticketing offices in the terminal building. The following tabulation lists the year each airline inaugurated service and the current list of cities where each provides single plane service.

SAN JOSE MUNICIPAL AIRPORT

Single Plane Service

AIR CALIFORNIA (October 1967)

Santa Ana, Ontario, San Diego, Sacramento, Palm Springs, Lake Tahoe.

AMERICAN AIRLINES (January 1975)

Dallas and points east.

APOLLO (October 1975)

Commuter Service to Santa Barbara, California.

CALIFORNIA AIR COMMUTER (January 1976)

Commuter Service to San Francisco and north.

CONTINENTAL AIRLINES (September 1970)

Portland, Seattle, Ontario, Burbank.

HUGHES AIR WEST (February 1949)

Mexico (Guadalajara, Puerto Vallarta, La Paz, Guaymas, Mazatlan), Phoenix, Las Vegas, Tucson, Sacramento, Reno.

PSA (May 1966)

Los Angeles, San Diego, Burbank, Long Beach.

SWIFT AIRE LINES (July 1969)

Commuter service to smaller California cities.

TWA (July 1975)

Washington, D.C. and Chicago.

UNITED AIRLINES (August 1968)

Denver, New York, Chicago, Philadelphia, Detroit.

WESTERN AIRLINES (June 1970)

Honolulu, Salt Lake City, Minneapolis.

Airport Facilities

Passenger services are located in a 146,300 square foot terminal building affording eleven passenger boarding lounges and fourteen aircraft gate positions. Included within the terminal are four rent-a-car agencies, a 10,300 square foot baggage claim wing, a branch bank office, flower, wine and gift shop, newsstand, shoe shine stand, quick bar, two snack bars, a 10,000 square foot restaurant, coffee shop and cocktail lounge. Parking facilities, affording short and long-term parking, are adjacent to the terminal. Limousine and cab service are available and Airporter Coach operates a scheduled bus service between San Jose Airport and San Francisco International Airport via Peninsula intermediate stops.

The flight area consists of three parallel runways and connecting taxiways. The main runway is 8,900

feet in length, including a 1,475 foot displaced threshold. The runway was overlaid to accommodate 300,000 pound dual tandem wheel loads in 1968 capable of accommodating DC-8 and 707 size aircraft. A modern high-intensity lighting system, radio type instrument landing systems (ILS, VOR), approach light system and TVOR navigation and landing aid, are provided. Smaller aircraft can utilize a 4,400 foot lighted non-instrument runway and the 3,000 foot daylight instruction and touch-and-go training runway. Lighting for the entire flight area, including two runways, all connecting taxiways, approach lights, obstruction lights, lighted wind indicator and loading ramp floodlights, is maintained on a twenty-four hour basis.

The control tower, which is under the direction of the Federal Aviation Administration, operates on a twenty-four hour day, seven days a week basis. A separate air freight facility located in close proximity to the air passenger terminal is utilized by all of the operating airlines, and an airport maintenance facility has been constructed in the area between the general aviation terminal and the airline terminal.

General aviation facilities include 100 T-hangars, 111 aircraft shelters and tiedown space for over 300

aircraft. There are currently over 500 aircraft based in the general aviation area. In addition, approximately thirty parking spaces are provided for itinerant aircraft. The City of San Jose maintains and operates a complete aircraft fueling service. Ten fixed base operators and concessionaires provide aircraft sales, rentals, instruction, maintenance, charter service, and aircraft radio sales.

Air Traffic

The two major air traffic elements which have a significant effect upon airport revenues are enplaning and deplaning passengers and aircraft movements. Air cargo in the future may tend to have more impact on airport revenues than at present. Other air traffic elements such as military aircraft activity and air mail have limited effect on revenues. The following tabulation shows the passenger volumes; scheduled, general aviation and military aircraft movements; and the weight of air mail, air express and air freight handled at the San Jose Municipal Airport for each year since 1970. Included in the tabulation is the volume of aircraft fuel and oil sold.

SAN JOSE MUNICIPAL AIRPORT (Summary of Operations)

	Calendar Year					
	1970	1971	1972	1973	1974	1975
PASSENGER VOLUMES						
Enplaning	793,470	846,191	937,972	1,019,118	1,069,073	1,151,980
Deplaning	801,683	858,163	948,429	1,018,888	1,077,084	1,159,335
Total	<u>1,595,153</u>	<u>1,704,354</u>	<u>1,886,401</u>	<u>2,038,006</u>	<u>2,146,157</u>	<u>2,311,315</u>
AIRCRAFT MOVEMENTS						
Carrier	45,499	59,947	56,241	61,128	58,748	62,144
General Aviation	361,526	346,779	319,665	356,172	355,239	366,890
Military	1,335	1,526	1,725	1,438	1,413	751
Total	<u>408,360</u>	<u>408,252</u>	<u>377,631</u>	<u>418,738</u>	<u>415,400</u>	<u>429,785</u>
AIR MAIL, AIR EXPRESS & AIR FREIGHT (pounds)						
On	2,662,262	3,977,933	3,902,810	4,085,230	8,028,464	8,893,581
Off	2,963,516	4,113,972	4,482,062	5,494,628	5,823,454	5,860,118
Total Pounds	<u>5,625,778</u>	<u>8,091,905</u>	<u>8,384,872</u>	<u>9,579,858</u>	<u>13,851,918</u>	<u>14,753,699</u>
FUEL SOLD (gallons)						
Fuel	3,570,745	3,247,111	4,069,009	6,166,282	5,526,425	8,027,429
Oil	10,490	11,306	9,282	10,461	9,565	8,074
Total Gallons	<u>3,581,235</u>	<u>3,258,417</u>	<u>4,078,291</u>	<u>6,176,743</u>	<u>5,535,990</u>	<u>8,035,503</u>

Source: San Jose Airport Department Records.

Table 2

SAN JOSE MUNICIPAL AIRPORT

Summary of Revenues and Expenses

Fiscal Year	1965/66 ^①	1966/67	1967/68 ^②	1968/69 ^③	1969/70 ^④	1970/71 ^⑤	1971/72	1972/73	1973/74	1974/75 ^⑥
REVENUES:										
Flight Area	\$ 40,254	\$ 73,523	\$ 112,080	\$ 350,991	\$ 422,208	\$ 456,009	\$ 565,239	\$ 619,233	\$ 715,194	\$ 787,118
Petroleum Products ...	659,953	647,638	761,165	1,026,367	1,185,841	1,036,450	1,126,276	1,486,595	2,052,391	2,809,538
Main Terminal	57,920	71,245	84,892	130,622	215,273	289,070	336,547	402,695	554,147	603,407
Concessions	22,151	61,285	200,621	621,716	783,716	1,005,604	1,245,514	1,378,235	1,539,937	1,592,783
General Aviation	97,104	152,872	114,949	186,161	210,465	228,905	275,801	298,349	291,040	303,809
Nonoperating Revenue .	112,141	106,421	124,196	125,500	70,494	85,963	90,017	85,461	129,241	220,121
TOTAL REVENUES	\$989,523	\$1,112,984	\$1,397,903	\$2,441,357	\$2,887,997	\$3,102,001	\$3,639,394	\$4,270,568	\$5,281,950	\$6,316,776
EXPENSES:										
Flight Area	\$ 60,712	\$ 37,011	\$ 63,998	\$ 29,267	\$ 66,007	\$ 53,385	\$ 82,519	\$ 90,994	\$ 113,480	\$ 134,530
Petroleum Products ...	568,957	560,957	629,985	849,627	1,033,133	855,160	918,473	1,231,477	1,735,577	2,525,544
Main Terminal	—	98,835	140,541	163,722	261,319	206,215	286,473	355,199	410,136	686,650
Concessions	—	1,012	23,672	67,327	80,698	124,409	94,537	95,644	132,384	131,964
General Aviation	89,540	70,996	89,490	103,312	142,662	99,896	127,661	138,032	155,391	202,131
Nonoperating	44,904	82,250	65,634	62,932	56,847	47,305	30,425	21,251	7,641	11,743
General and Administra- tive	150,797	128,744	177,181	223,652	165,212	449,332	513,993	670,621	907,182	964,192
Crash/Fire/Rescue	—	—	—	—	—	105,000 ^⑦	162,000	156,000	164,000	317,879
TOTAL EXPENSES .	\$914,910	\$ 979,805	\$1,190,501	\$1,499,839	\$1,805,878	\$1,940,702	\$2,216,081	\$2,759,218	\$3,625,791	\$4,974,633
NET REVENUES	\$ 74,613	\$ 133,179	\$ 207,402	\$ 941,518	\$1,082,119	\$1,161,299	\$1,423,313	\$1,511,350	\$1,656,159	\$1,342,143

① PSA inaugurated service May 1966.

② Air California inaugurated service October 1967.

③ United Airlines inaugurated service August 1968.

④ Western Airlines inaugurated service June 1970.

⑤ Continental Airlines inaugurated service September 1970.

⑥ American Airlines inaugurated service January 1975.

⑦ City policy change in 1970/71 transferred fire protection expense to airport.

Source: San Jose Municipal Airport financial records.

Revenues and Expenses

The information in Table 2 has been summarized by the Airport from its financial records. A copy of the Airport's financial statements for the year ended June 30, 1975, along with the report of certified public accountants, which report was qualified as to the outcome of litigation described on page 17 herein, is on file at the Airport Office of Finance and Administration and at the office of the City Clerk.

Approximately ninety percent (90%) of the airport gross revenues are derived from four major sources: sale of petroleum products, concessions, flight area use fees and ground and space rentals. The greatest net revenue is realized from flight area use fees and concessions.

Concession revenue accounted for approximately 25 to 30 percent of total revenues between 1968/69 and 1974/75. Concession revenues have increased approximately \$800,000 or over 100 percent in the last five years. This increase is directly related to the increased air passenger volumes. Auto parking fees from the 2,600 space parking facility provide a large portion of concession revenues at the airport. During fiscal year 1974/75 parking revenues accounted for approximately 59 percent of concession revenues. Parking fees are 25 cents per hour for long term spaces and 50 cents for short term spaces with a

maximum charge of either \$2.00 or \$3.00 per day, depending on the area used.

Scheduled and non-scheduled flight fees have historically generated approximately 15 percent of total airport revenues. Revenue from flight fees is based on the volume of total aircraft landing weight. The current fee, which became effective October 1, 1973, is \$0.23 per thousand pounds of landing weight. Revenues from flight fees for 1974/75 totaled \$787,118. This amount was approximately 85 percent greater than generated in 1969/70 and can be directly attributed to air passenger growth by scheduled air carriers. There are no airport use agreements with the air carriers and flight fee adjustments are reviewed annually by the City.

Approximately nine percent of total airport revenues is derived from ground and building rentals and leases which appear under the category of Main Terminal revenues. This includes building rental to major airlines and charges for providing security and other services.

Over 70 lease agreements have been executed or are pending with concessionaires and renters on the airport. The following tabulation summarizes some of the major lessees, involved area, lease expiration date and minimum annual rent.

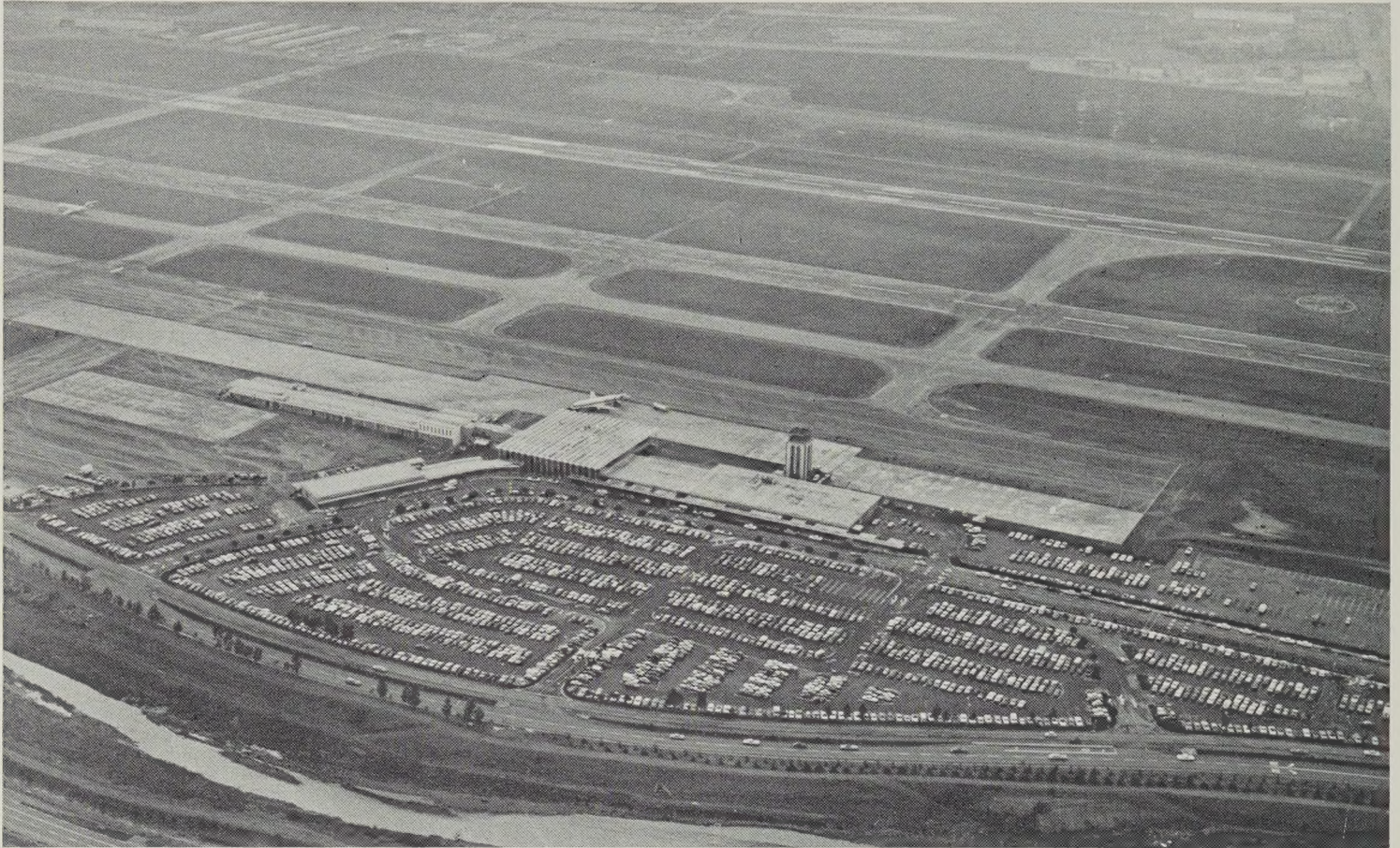
SAN JOSE MUNICIPAL AIRPORT Major Leases

Tenant	Area	Expiration Date	Minimum Annual Rent
Air One ^①	2.7 Ac.	June 1998	\$ 8,106
Airport Candy ^②	1,880 Sq. Ft.	March 1977	51,250
FAA (GADO) Land and Buildings	.855 Ac.	June 1989	27,875
First National Bank	540 Sq. Ft.	June 1978	3,674
Hart & Johnson Display Advertising ^②	37,293 Sq. Ft.	June 1976 ^③	20,000
Hertz Service Site	1.84 Ac.	Aug. 1981	8,165
Host International ^②	10,000 Sq. Ft.	Oct. 1993	12,000
Host International Inflight ^②	2.25 Ac.	Oct. 1993	5% of Gross
Lockheed Missiles and Space	740 Sq. Ft.	Aug. 1978	4,644
Specialty Restaurant ^②	.9 Ac.	Feb. 2004	18,000
Standard Oil Fuel Storage	.38 Ac.	Sept. 1985	3,380
Standard Oil Service Station ^②	.74 Ac.	June 1983	14,400
Westwarehouses	1.2 Ac.	July 1979	6,218
Three Other Leases	—	Various	5,700
Other Leases (General Aviation)	—	Various	36,330
Revocable Permits	—	—	3,300
Total Minimum Annual Rent (above tenants)			\$223,042

① Annual Rate Revision Provision.

② Additional Rent payable based on sales or volume.

③ Reverts to month-to-month basis on July 1, 1976.



San Jose Municipal Airport

San Jose Municipal Airport terminal building



Aviation Forecast

There are presently three air carrier airports with significant passenger activity in the nine San Francisco Bay Area counties (Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma). The Air Transport Association (ATA) has recently published a summary of scheduled air passenger enplanement growth for Bay Area airports indicating that annual passenger volume at these airports will be approximately 34 million by the year 1985.

The Metropolitan Transportation Commission, successor to the Association of Bay Area Governments on transportation matters in the Bay Area, published in March, 1975, Bay Area passenger projections indicating 1985 Bay Area passenger volume to be 37 to 43 million annual passengers, a figure somewhat higher than the ATA projection. Passenger forecasts appearing in this Official Statement were derived from projection curves reflecting the air passenger forecasts published by the Air Transport Association, Metropolitan Transportation Commission and the California Department of Transportation.

During August, 1975, the Metropolitan Transportation Commission conducted an air travel survey at Bay Area airports. The preliminary report indi-

cates that over 25 percent of Bay Area residents interviewed originated their air trip in Santa Clara County and 14 percent of nonresidents named Santa Clara County as their primary Bay Area destination. On a total basis, 17.5 percent of those interviewed either originated their trip or had primary activity in Santa Clara County.

Table 3, the Distribution of Bay Area Passenger Volume, illustrates the greater percentage rate of growth occurring at San Jose, as compared to the other Bay Area Airports. Of the 278,988 total passenger increase from 1974 to 1975, 165,158 were represented by San Jose. This growth represented a 7.7 percent increase at San Jose, while San Francisco showed a 1.0 percent increase and Oakland a 2.2 percent loss.

The Metropolitan Transportation Commission plan for future development recommends distribution of future air passenger growth among the three existing airline airports, and further recommends that air carrier service be initiated in one of the North Bay counties. The plan recommends that San Jose Municipal Airport be developed to accommodate six to seven million air passengers by the year 1985. Existing air passenger facilities at the airport will accommodate, at an acceptable level of service, 2.4 million passengers annually.

Table 3

DISTRIBUTION OF BAY AREA PASSENGER VOLUME

(Scheduled Air Carriers Only)

24 Months Ended December 31, 1975^①

	1974 Passenger Volume		1975 Passenger Volume		Increase Over 1974	% Increase Over 1974
	Number	% of Total	Number	% of Total		
San Francisco ^②	16,201,138	79.0%	16,362,160	78.8%	161,022	1.0%
San Jose	2,146,157	10.5%	2,311,315	11.1%	165,158	7.7%
Oakland ^②	2,144,207	10.5%	2,097,015	10.1%	(47,192)	(2.2%)

^① Figure derived from monthly activity reports of each airport.

^② Includes helicopter service.

Projected Revenues and Expenses

The Airport Department has estimated operating revenues and operating expenses of the enterprise for fiscal years ending June 30, 1976 through June 30, 1981 as shown in Table 4. Based on this

projected analysis of net revenues of the Enterprise, a gross coverage ratio of not less than 9.49 and a net coverage of not less than 2.97 times total annual debt service for the 1974 Bonds and 1976 Bonds is anticipated.

Table 4

SAN JOSE AIRPORT

Projected Revenues and Expenses

	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81
REVENUES						
Flight Area	\$ 910,000	\$1,140,000	\$1,250,000	\$1,360,000	\$1,450,000	\$1,600,000
Main Terminal	315,000	340,000	380,000	400,000	420,000	455,000
Concessions	2,100,000	2,350,000	2,600,000	2,900,000	3,100,000	3,260,000
Other Fees	360,000	405,000	440,000	500,000	550,000	620,000
Baggage Claim	110,000	130,000	145,000	160,000	170,000	185,000
General Aviation	300,000	340,000	350,000	360,000	370,000	400,000
Petroleum Products (Gross Profit)	555,000	580,000	605,000	630,000	650,000	670,000
Nonoperating (Net)	160,000	135,000	180,000	195,000	210,000	230,000
TOTAL REVENUES	\$4,810,000	\$5,420,000	\$5,950,000	\$6,505,000	\$6,920,000	\$7,420,000
EXPENSES						
Flight Area	\$ 400,000	\$ 466,000	\$ 513,000	\$ 560,000	\$ 615,000	\$ 675,000
Main Terminal	980,000	1,100,000	1,200,000	1,300,000	1,430,000	1,570,000
Concessions	280,000	338,000	370,000	400,000	440,000	480,000
General Aviation	200,000	220,000	240,000	265,000	290,000	310,000
Petroleum Products (Cost of Handling)	220,000	230,000	250,000	275,000	300,000	320,000
General/Admin.	800,000	860,000	950,000	1,045,000	1,150,000	1,265,000
Crash/Fire/Rescue	350,000	516,000	567,000	625,000	685,000	750,000
TOTAL EXPENSES	\$3,230,000	\$3,730,000	\$4,090,000	\$4,470,000	\$4,910,000	\$5,370,000
ESTIMATED NET REVENUE AVAILABLE FOR BOND SERVICE						
	\$1,580,000	\$1,690,000	\$1,860,000	\$2,035,000	\$2,010,000	\$2,050,000
Estimated Total Bond Service	\$ 263,257 ^①	\$ 487,657	\$ 626,708	\$ 625,532	\$ 623,633	\$ 628,830 ^④
Gross Revenue Coverage	18.27	11.10	9.49	10.40	11.10	11.80
Net Revenue Coverage	6.00	3.46	2.97	3.25	3.22	3.26
Estimated Passenger Volume:						
High ^②	2,680,000	3,050,000	3,400,000	3,720,000	4,700,000	5,200,000
Low ^③	2,500,000	2,720,000	2,960,000	3,200,000	3,450,000	3,700,000

① Actual 1975/76 bond service on Series 1974 Revenue Bonds only.

② Either Metropolitan Transportation Commission or California Department of Transportation.

③ Air Transport Association.

④ Estimated maximum annual bond service in 1987/88.

Source: City of San Jose Airport Department.

Estimated revenues and expenses for 1975/76 are based on annualized year-to-date results through the first ten months of the fiscal year. Revenue estimates for 1976/77 are based on rates and fees now in effect and current flows of income per air passenger movement. Air passenger volumes were obtained from the sources given in Table 4. Flight area revenues include calculated landing fee income from announced new airline service by Delta Airlines, American Airlines and United Airlines to be effective in June 1976 and by National Airlines to be effective in July. Revenues derived from passenger flow (concession, baggage claim, and other fees) are based on projected passenger volumes without input from Delta and National Airlines. The projections do not take into account possible changes in the economic condition of the Country or Bay Area region affecting air travel, cost, and availability of aviation fuels or the financial condition of airline companies using the airport. Main terminal revenues (rentals and space related fees) are based on current rental rates except fees based on recovery of personnel costs. These are adjusted annually to reflect anticipated increases in related costs. Increased revenue through renegotia-

tion of space rental rates during the forecast period has not been assumed. The tabulation below lists major existing tenants for which leases are pending and under consideration including tenants, area, and current annual rent.

Retail fuel sales to General Aviation represents the major source of net revenues under petroleum products. The cost of products purchased for resale to the public and to airline accounts has been omitted from petroleum revenue and expense estimates in view of the uncertain nature of petroleum product prices under Federal controls. Taxes collected from retail customers and reported to Federal and State Agencies have also been omitted due to deliberation of proposed changes in tax rates applied to aviation products. Price regulatory agencies currently authorize retailers to maintain a constant margin or mark-up of product over cost.

Nonoperating revenue includes rental income from: farming activities on airport lands; use of surplus land for nonaviation oriented activities; and interim use of land acquired to reduce noise impact.

Estimated expenses for 1976/77 are based on the proposed maintenance and operation budget for the

SAN JOSE AIRPORT TENANTS WITHOUT EXECUTED LEASE AGREEMENTS AS OF APRIL, 1976

Tenant	Area	Annual Rent	Type of Service
Air California	6,674 Sq. Ft.	\$ 49,757	Airline
American Airlines	1,400 Sq. Ft.	10,700	Airline
Avis Rent-a-Car (Booth) ①	318 Sq. Ft.	55,062 ②	Terminal
Avis Rent-a-Car (Service)	0.975 Ac.	4,249	Terminal
Budget Rent-a-Car (Booth) ①	351.5 Sq. Ft.	52,467 ②	Terminal
Budget Rent-a-Car (Service)	0.975 Ac.	4,172	Terminal
Continental Airlines	3,500 Sq. Ft.	26,750	Airline
Delta Airlines (ticket facilities)	250 Sq. Ft.	2,425	Airline
Hertz Rent-a-Car (Booth) ①	538 Sq. Ft.	57,689 ②	Terminal
Hughes Airwest	3,465 Sq. Ft.	24,168	Airline
Industrial Mechanical Co.	1,200 Sq. Ft.	3,900	Non Aviation
Marchese Farms (farming)	250 Ac.	15,458	Non Aviation
Mercury International (Ins.)	78.5 Sq. Ft.	7,500	Terminal
National Rental Car (Booth) ①	612 Sq. Ft.	54,717 ②	Terminal
National Rental Car (Service)	0.967 Ac.	4,283	Terminal
Pacific Southwest Airlines	11,178 Sq. Ft.	93,738	Airline
Trans World Airlines	1,260 Sq. Ft.	9,000	Airline
United Airlines	8,340 Sq. Ft.	67,830	Airline
Western Airlines	3,000 Sq. Ft.	27,511	Airline
TOTAL ANNUAL RENTAL		\$563,694	

① Additional Rent Payable on Sales Volume.

② Amount shown includes rental for auto parking outside of building.

airport as submitted to the City Council for consideration on May 17, 1976. Cost increases approximating ten percent per year were used to estimate expenses for succeeding years.

General and administrative expense includes normal management, administrative and promotion expenses. Crash/Fire/Rescue are those expenses necessary to comply with Federal Airport Certification Regulations.

A substantial number of Airport tenants continue to occupy terminal area space without formal leases. Negotiations to execute agreements have been stopped pending completion of a comprehensive Airport Analysis and Implementation Program (Master Plan, Economic and Financial Management Study).

Interim lease and operating agreements for airline and major terminal concessionaires will be ready for negotiation within 90 days of execution of a study contract. It is anticipated that five-year fixed rate agreements will be proposed for concession uses and longer term space agreements will be proposed for airlines with provision for rental rate revision on an annual or other basis. No assurance can be given as to the form of any agreements ultimately entered into.

Capital Improvement Program

Public hearings in December, 1972 and January, 1973 considered a proposed Airport Capital Improvement Program covering the five-year period from 1972/73 through 1976/77. The City Council decided to hold airport expansion to a minimum until the effect of airport operation on the community environment could be measured and evaluated in line with applicable State and Federal standards concerning noise levels and air quality. Acquisition and installation of a noise monitoring system was completed in November, 1973 and has been operated in conformance with California Airport Noise Law criteria.

Air quality monitoring was conducted at the San Jose Municipal Airport during the last two years by the Bay Area Air Pollution Control District under contract with the City. From the results of the monitoring alone, the District was unable to determine the relative contribution of airport-related sources to the air quality of the San Jose air basin, due primarily to limitations of applicable technology and to the fact that monitoring necessarily took place adjacent to two major freeways which were them-

selves sources of air pollutants. A functional data base was developed from the monitoring effort, however, and although the results were conclusive only in demonstrating that air quality was poor and that U. S. air quality standards were exceeded frequently (conditions which occur throughout the air basin) this data will provide a useful basis for further analyses.

Air quality analysis will be an integral part of an Airport Planning Management Program soon to be undertaken under contract with the City, and more definitive determinations of the air quality impact of the airport will be produced as a part of that program. The results of that analysis will form part of the basis of environmental impact evaluations required to be considered by the City Council, by the Federal Aviation Administration, and by other federal, state, regional and local agencies as a condition of future project approvals, grants, and Airport Layout Plan revision approval. Five Year Capital Improvement Programs were modified to exclude major projects related to activity expansion until the results of noise and air quality monitoring could be evaluated.

The current Five Year Capital Improvement Program for Airport development covering the fiscal years 1976/77 through 1980/81 is now under consideration by the City in accordance with provisions of the City Charter. The proposed Airport Program includes: \$30 million for land and air rights acquisition; \$7.4 million for landing area and aircraft parking apron construction to accommodate new generation, quieter, wide body aircraft; \$1 million for auto parking and Airport access improvements; \$365,000 for passenger terminal development; and \$515,000 for purchase of operating equipment for the enterprise and miscellaneous land and facility improvements. Resources are anticipated from proceeds from the sale of the 1976 Airport Revenue Bonds, a future sale of revenue bonds in June, 1977, United States Department of Transportation Airport Development Aid Program grant funds, and surplus airport operating revenues. The law under which the grant program operates has not yet been enacted.

Proceeds from the sale of the 1976 Airport Revenue Bonds together with anticipated United States DOT ADAP funds will be used to continue the orderly acquisition of approximately 200 residential units located in the approach and clear zone south of the Airport. The project includes relocation assistance and land clearing. The current Five Year Capital Improvement Program for Airport develop-

ment envisions future sale of additional revenue bonds to finance other Airport facilities. The actual time and amounts of bonds to be sold will be governed by receipt of Federal grant offers for the projects and the needs of the City.

Aviation Fuel Allocation

The Emergency Petroleum Allocation Act of 1973, signed by the President on November 7, 1973, required the allocation of crude oil, residual fuel oil, and refined petroleum products. Subsequently, a fuel allocation plan for the nation was established by the Federal Energy Administration. Aviation gasoline and aviation turbine fuels are presently allocated on a mandatory basis to wholesale purchasers. Amounts allocated to the various categories of aviation fuel users are set forth in the regulations (effective January 1, 1975) as follows:

AVIATION FUEL ALLOCATION PLAN (FEDERAL ENERGY ADMINISTRATION)

1. Air carriers are to receive 100% of base period volume, including requirements for crew training and proficiency flying.

2. Wholesale purchasers and suppliers are to receive 100% of their allocation requirements, with those not subject to an allocation fraction receiving first priority.

3. Users of aviation fuels for emergency aviation services, safety and mercy missions, energy production flying, telecommunications flying, agricultural production flying, Department of Defense, and aircraft manufacturing are to receive 100% of current requirements, except that aircraft manufacturing is not to exceed 130% of base period volume.

4. Users of aviation fuel for business flying, public aviation, personal flying, instructional flying, air travel club flying, and nonflying uses are to receive 100% of base period volume.

Airport Litigation

Two suits for damages that were filed by plaintiffs owning residential property in areas located generally to the south of the San Jose Municipal Airport are now pending. The suits allege damages arising out of inverse condemnation and other causes of action on account of noise, vibration, smoke and other disturbances.

In the case of *Bellarmino College Preparatory, a California corporation, v. City of San Jose*, damages were sought for damage to property of the plaintiff for approximately \$8,690,000. The trial judge found

in favor of the City of San Jose, but the case is now being appealed.

In the case of *James and Imogene Boggs, et al., v. City of Jose, et al.*, the defendants are the City and twenty unnamed officers, agents and servants. The plaintiffs purported to have brought action on behalf of themselves and all others similarly situated, as a class, for the following damages applicable to each plaintiff:

- (a). Under a nuisance theory;
 - for personal injury . . . \$100,000,000
 - for emotional distress . . . 100,000,000
 - for property damage . . . 100,000,000
- (b). Under a theory of inverse condemnation;
 - for property damage . . . \$200,000,000

The maximum probable exposure to each of the thirteen named plaintiffs, however, is perhaps one-tenth of the damage requested. Moreover, the class action has been dismissed and the individual plaintiffs have not subsequently moved to bring the case to trial.

On November 30, 1973, the Air Transport Association, et al., filed an action in the United States District Court for the Northern District of California, requesting that the Court determine that the California Noise Act and the regulations promulgated thereunder are unconstitutional. The City of San Jose, the Mayor and the Airport Manager are named as defendants in an amended complaint subsequently filed therein, and have appeared therein by answering such amended complaint. The action seeks an injunction against enforcement of the State law but does not seek damages of any kind. The three-judge federal court has enjoined the City and other defendants from enforcing penalty provisions against airlines, but no decision has been made concerning the obligations of airport proprietors under the noise law.

In the absence of a ruling on the validity of the California Noise Act, the California Division of Aeronautics is proceeding to implement the Act's provisions relating to airports. The act establishes a requirement that airport noise impact on residential areas be reduced in stages by 1986, using any available noise control methodology. Along with several other major California airports, San Jose has not met the second stage noise impact reduction requirement that is currently applicable and has requested a variance from the requirement. San Jose's variance request is based upon the anticipated availability of federal DOT ADAP grants to fund approximately \$8,725,000 residential land acquisition (encom-

passing 269 residential units) which will enable San Jose to meet the current requirement. An administrative hearing will be held on the request, and a one year variance subject to conditions may result, with further one year variances being available under the Act until requirements are met. Property appraised for tax purposes at approximately \$49,000,000 is presently included within the airport's noise impact area but the cost cannot yet be assessed of other available noise control methods less expensive than land acquisition which would enable the airport to comply with the 1986 noise impact area requirement.

City Employee Retirement System

All full-time and certain eligible part-time employees of the City, except employees of the Police Department and the Fire Department, are required to be members of the Federated City Employees Retirement System. Employees of the Police and Fire Departments are eligible for membership in the Police and Fire Department Retirement System. All sworn officers in each department are required to be members.

Both Retirement Systems are administered by the Retirement and Benefits Administrator under the direction of Boards of Administration, and are financed by employee payroll deductions and by City contributions.

A present City Code ordinance calls for actuarial review of retirement systems every five years. The most recent valuation was prepared as of June 30, 1974. The firm of Coates, Herfurth and England, San Francisco, who have served the City as consulting actuaries for over 20 years, reported on the Federated Retirement System. Mitchell and Kadoyama, Los Angeles, consultants to the City since 1970, reviewed the Police and Fire Department Retirement System as of that date.

The City's 59th Annual Report for the fiscal year ended June 30, 1975, indicated a total future actuarial liability for the Federated City Employees as of June 30, 1975 of \$80.1 million (City portion—\$57.1 million, Employees portion—\$23.0 million). The total future actuarial liability reported for the Police and Fire Department Retirement Fund, as of June 30, 1974, was \$115.8 million (City portion—\$88.6 million, Employee portion—\$27.2 million).

A proposed ordinance amendment, now under review by the City Attorney, would require actuarial review of both retirement systems every three years. If this measure is adopted by the City Council, the next actuarial review would take place no later than June 30, 1977.

CITY FINANCIAL DATA

The City of San Jose uses the facilities of Santa Clara County for the assessment and collection of ad valorem property taxes for city purposes. City taxes are collected at the same time and on the same tax rolls as are county and school district taxes. Assessed valuations of properties are the same for both city and county taxing purposes. The California State Board of Equalization reports the 1975/76 Santa Clara County valuations to average 24.7 percent of full value except for public utility property, which is assessed at 25 percent of full cash value by the state.

The 1968 California State Legislature adopted two additional types of exemptions beginning in the tax year 1969/70. The first of these exempts a portion (currently 50 percent) of the assessed valuation of business inventories from taxation.

The second exemption provides a credit of \$1,750 of the assessed valuation of an owner-occupied dwelling for which application has been made to the county assessor. Revenue estimated to be lost to local taxing agencies due to such exemptions, however, is reimbursed from state sources. Such reimbursement is based upon total taxes due upon such exempt values and therefore is not reduced by any amount for estimated delinquencies. The following summary presents the city's 1975/76 assessed valuation before any deductions for these two exemptions.

CITY OF SAN JOSE

1975/76 Assessed Valuation

Secured Roll	\$1,633,612,213
Unsecured Roll	177,392,710
Utility Roll	78,763,390
Net Total Assessed Valuation ..	\$1,889,768,313

Assessed Valuations, Tax Levies, and Delinquencies

The following tabulation (from the records of the County Auditor) presents a five-year summary of

the city's assessed valuations, secured tax levies and delinquencies.

Fiscal Year	City Assessed Valuation	City Secured Levy
1970/71	\$1,120,602,440	\$18,575,068
1971/72	1,221,681,210	19,716,701
1972/73	1,336,131,390	21,120,517
1973/74	1,445,126,457	20,827,718
1974/75	1,610,496,253	22,581,359

Fiscal Year	Secured Tax Delinquent June 30	Percent Delinquent June 30
1970/71	\$300,032	1.62%
1971/72	330,571	1.68
1972/73	311,354	1.47
1973/74	372,129	1.79
1974/75	362,386	1.60

Tax Rates

The total 1975/76 tax rate for the largest code area in the city is \$12.602 per \$100 assessed valuation and is composed of the following tax levies:

1975/76 TAX RATE—CODE AREA 40-001

City of San Jose	\$ 1.705
Santa Clara County	2.596
Schools	8.036
Flood Control and Air Pollution	0.177
Tax Rate on Net Assessed Valuation	<u>\$12.514</u>
Water Importation and Flood Control (land and improvements before exemptions)	\$.088
	<u>\$12.602</u>

The tax rate per \$100 of assessed valuation for tax code area 40-001 (the largest tax code area in terms of assessed valuation in the City of San Jose) for all purposes, including schools and special districts are presented in the summary below.

The City of San Jose tax rate is comprised of a rate for general City purposes and a rate for general obligation bond purposes.

Different tax code areas in the City of San Jose are subject to different city tax rates for general obligation bond purposes. In 1975/76 the tax rate for general obligation bond purposes ranges from \$0.00 to \$0.355 per \$100 of assessed valuation. Tax

code area 40-001 is subject to the highest city tax rate for general obligation bond purposes.

All tax code areas in the City of San Jose are subject to the same city tax rate for general city purposes. In 1975/76 the tax rate for general city purposes is

\$1.350 per \$100 of assessed valuation. The maximum city tax rate which may be levied by the City of San Jose for general city purposes is established pursuant to the city charter and state legislation and for the year 1975/76 is \$1.350 per \$100 of assessed valuation.

TOTAL TAX RATES: CODE AREA 40-001

	1971/72	1972/73	1973/74	1974/75	1975/76
City Tax Rate	\$ 1.897	\$ 1.847	\$ 1.824	\$ 1.785	\$ 1.705
County Tax Rate	2.627	2.626	2.626	2.626	2.596
All Other	7.301	7.534	8.170	8.561	8.301
Tax Rate on All Property	\$11.825	\$12.007	\$12.620	\$12.972	\$12.602

Income and Expenditures

Fund balances for all funds as of June 30, 1975, as reported in the City's 59th Annual Financial Report, amounted to \$117,372,905, which included the following: General Fund—\$3,466,510, trust funds—\$1,943,603, retirement funds—\$74,434,295 and \$37,528,497 in other restricted funds.

The tabulation below shows a summary of the income and expenditures of the City of San Jose

over the past five years as reported by the State Controller.

Bonded Indebtedness

As of July 1, 1975 the City of San Jose had general obligation bonds outstanding issued for various municipal purposes amounting to \$71,990,666 maturing in the years 1975 through 1994. Of this amount \$24,020,000 are outstanding sewer bonds which are self-supporting by sewer service charges.

CITY OF SAN JOSE

Summary of Income and Expenditures

	1970/71	1971/72	1972/73	1973/74	1974/75
INCOME:					
Property Taxes	\$20,195,332	\$21,886,860	\$23,298,069	\$22,474,610	\$ 24,517,121
Other Taxes	15,194,433	16,963,093	21,007,439	25,525,789	28,475,404
Licenses and Permits	967,086	1,274,926	1,355,149	1,346,951	1,659,936
Fines and Penalties	1,353,501	1,395,640	1,385,052	1,386,507	1,742,540
Use of Money and Property	3,149,084	2,518,857	2,703,543	4,528,844	6,753,688
From Other Agencies	28,221,833	22,866,160	32,288,241	28,307,567	26,201,234
Current Services	10,813,156	10,427,878	10,524,172	12,275,768	16,415,122
Other Revenue	4,273,069	3,310,752	4,469,312	2,218,362	5,029,097
Total	\$84,167,494	\$80,644,166	\$97,030,977	\$98,064,398	\$110,794,142
EXPENDITURES:					
General Government	\$26,055,935	\$25,758,101	\$29,326,316	\$32,104,326	\$ 35,151,209
Public Safety	17,545,411	19,615,654	22,867,311	25,715,637	29,060,950
Public Works	7,791,505	9,114,581	10,583,077	12,245,287	14,108,277
Health	275,577	308,986	378,818	417,519	453,148
Library	1,432,357	1,758,006	2,536,535	2,734,524	3,289,219
Parks and Recreation	3,564,725	4,106,376	4,707,398	5,210,674	6,408,171
Other	290,166	329,831	—	—	398,004
Capital Outlays	7,134,774	15,295,348	17,529,995	15,091,585	16,586,181
Total	\$64,090,450	\$76,286,883	\$87,929,450	\$93,519,552	\$105,455,159

Source: State Controller's Reports.

THE CITY

The City of San Jose, county seat and largest city in Santa Clara County, is located at the southern extremity of San Francisco Bay, approximately 48 miles from San Francisco and 42 miles from Oakland. Population of the city exceeds 540,000, and is over two and one-half times the number of 1960 census residents. The city is the oldest in California, having developed from a Spanish pueblo established November 29, 1777. San Jose is now the center of a large and growing industrial and scientific complex.

The city encompasses 150 square miles, an increase of 14 square miles since 1970. The climate is mild because of protection afforded by the Diablo Range on the east and the Santa Cruz mountains to the west. Mean July temperature is 69.4 degrees and mean January temperature is 49.2 degrees. Precipitation averages 16.42 inches per year.

The San Jose Metropolitan Area includes all of Santa Clara County. The city and county rank among the leading metropolitan areas throughout the nation in virtually all measurements of urban

development. An important element in the growth of the area is the fact that over half of all households have net cash incomes in excess of \$15,000, a reflection of the level of education and vocational skills.

Santa Clara County is one of nine counties bordering San Francisco Bay. Santa Clara leads all of them in population, manufacturing employment, total effective buying income, assessed value of taxable property, retail sales, number of telephones, residential construction, and public school enrollment. It ranks among the top Bay Area counties in virtually every other indicator of economic activity as well. In the essential economic determinants of population, employment, retail sales, and personal income, Santa Clara has been projected as the number one growth county through 1980 in Northern California by the Stanford Research Institute Center for the Continuing Study of the California Economy.

Metropolitan San Jose, although it has many ties to the San Francisco-Oakland urban complex, is rapidly developing a separate identity as a center for research, commerce, and industry.

Municipal Government

The City of San Jose was incorporated March 27, 1850, and operates as a charter city, having had its first charter granted by the state in 1897. In 1916, another charter was adopted enabling the city to institute the council-manager form of government,

San Jose City Hall



making it one of the first cities in the nation to take this step. The present charter became effective May 4, 1965.

The City Council consists of a Mayor and six Council Members elected at large for four-year terms. The City Manager is responsible for the operation of all municipal functions except the offices of City Attorney, City Clerk, and City Auditor. These public officials are appointed by and carry out the policies set forth by the City Council.

The City of San Jose 1975/76 annual budget, including all funds and enterprises, is approximately \$251,600,000, providing for more than 3,200 full-time employees and a total work force exceeding 5,000 people. The police department employs over 690 sworn officers, who are required to have a minimum of two years of college education. The fire department employs 595, operates 25 stations, and utilizes modern fire fighting and support equipment. Communications for police, fire, public works, and civil defense are now handled through the County Communications System.

Commissions performing a vital function in an advisory capacity to the City Council include Planning, Airport, Parks and Recreation, Civil Service, Fine Arts, Suggestion Award, Sports, Historic Landmarks, Public Solicitation, Human Relations, Affirmative Action, Senior Citizens, Library, Youth, and Bicentennial.

Active in the development of San Jose are the Office of Economic Development, reporting to the City Manager, and the Redevelopment Agency.

Population

The city's population as of January, 1975 was estimated at 547,500 by the State Department of Finance, an increase of approximately 101,000, or 19 percent, over the April 1970 U.S. Census.

For the same date, the county's population was given as 1,193,400, a gain of 12 percent over the 1970 census figure. In 1973/74, about 19,000 of the 29,000 annual gain is traced to net in-migration. This population change is in sharp contrast to patterns in the late fifties and early sixties, when annual population gains over 50,000 were not uncommon and those migrating to the county usually numbered 40,000 or more. In reporting recent population changes, the County Planning Department points to a long-term decrease in the birthrate and an ap-

parent changing household composition of in-migrants.

The San Jose Planning Department projects city populations of 647,000 in 1980 and 722,000 in 1985.

The following tabulation highlights population growth patterns since 1940, based on reports of the U.S. Census Bureau. Annexation has accounted for a substantial share of the city's population increases since 1950.

POPULATION DATA—U.S. Census

Year	City of San Jose	San Jose Metropolitan Area ^①
1940	68,457	174,949
1950	95,280	290,547
1960	204,196	642,315
1970	459,913	1,065,313

① Santa Clara County.

Santa Clara is the most populous of the nine counties bordering on San Francisco Bay. The City of San Jose is the second largest city in the San Francisco Bay Area, the fourth most populous in California, and 22nd in population nation-wide.

The revised 1970 Census of Housing as shown in the following tabulation disclosed 139,759 housing units in the City of San Jose and 336,873 in Santa Clara County. In both the city and the county, 60 percent of all homes were owner-occupied.

1970 U.S. CENSUS OF HOUSING

	City of San Jose	Santa Clara County
All housing units	139,759	336,873
Owner-occupied units	82,868	199,360
Number specifying value .	76,119	181,177
Median value	\$ 25,400	\$ 27,300
Renter-occupied units	47,739	123,500
Median contract rent	\$ 135	\$ 143

Median home value of \$27,300 and median rental of \$143 per month in Santa Clara County were the highest for any metropolitan area in California.

Income and Commercial Activity

Santa Clara County ranks fifth among California counties in total personal income. The 1975 *Survey of Buying Power* reports Santa Clara County in first place among Bay Area counties in net effective buying income, estimating the figure at \$6,663,157,000 for year-end 1974. This is \$5,642 per capita compared with a state-wide figure of \$5,113. Median household income of \$15,857 is 27 percent above the median household income for the state. An estimated 17 percent of all households have incomes exceeding \$25,000, according to the survey, ranking Santa Clara 13th among all U.S. counties.

The San Jose Metropolitan Area ranks fifth among the seventeen metropolitan areas in the state in total effective buying income, following Los Angeles-Long Beach, San Francisco-Oakland, Anaheim-Santa Ana-Garden Grove, and San Diego.

Bank debits in the City of San Jose for December 1975 totaled more than \$3.3 billion, a gain of over 12 percent from December 1974. Bank deposits in the city as of December 31, 1975 were reported to be \$456,976,000 by the Federal Reserve Bank of San Francisco, compared with \$477,725,000 for the same date in 1974.

There are approximately 150 shopping centers in Metropolitan San Jose. Valley Fair, in the western

part of the city, occupies 32.8 acres and has almost 600,000 square feet of store area. Among the tenants are such well-known retailers as Macy's, Joseph Magnin, Pay Less Drug Stores, F. W. Woolworth and others. Eastridge, a retail shopping complex in southeast San Jose, features Macy's, Sears, Liberty House and J. C. Penney Co. as principal tenants. This ultramodern commercial development opened in 1971.

The City of San Jose generated taxable sales of over \$1.5 billion in 1975, reflecting the purchasing power of its residents. Taxable sales transactions in the city and in Metropolitan San Jose, including nonretail transactions, are reported by the State Board of Equalization. Taxable transactions in the city for 1975 increased more than seven percent over the previous year, while the county-wide gain was approximately the same amount. The City of San Jose accounts for over 38 percent of total taxable transactions in Santa Clara County, as shown in the summary on the next page.

There are 90 banking offices in the city, of which 26 are operated by the Bank of America and 14 by the First National Bank of San Jose. The latter was established in 1874. Within the city limits are 32 savings and loan branch offices.

Eastridge Shopping Center



CITY OF SAN JOSE
METROPOLITAN SAN JOSE
Taxable Transactions 1970-1975

Year	City of San Jose	Metropolitan San Jose
1970	\$ 849,117,000	\$2,165,808,000
1971	917,485,000	2,423,458,000
1972①	1,084,303,000	2,852,047,000
1973	1,312,823,000	3,378,642,000
1974	1,467,337,000	3,781,550,000
1975	1,572,443,000	4,061,592,000

① Sales of gasoline for highway use became taxable July 1, 1972.

Source: State Board of Equalization.

A breakdown of 1975 taxable sales in the City of San Jose by type of outlet is presented in the following tabulation.

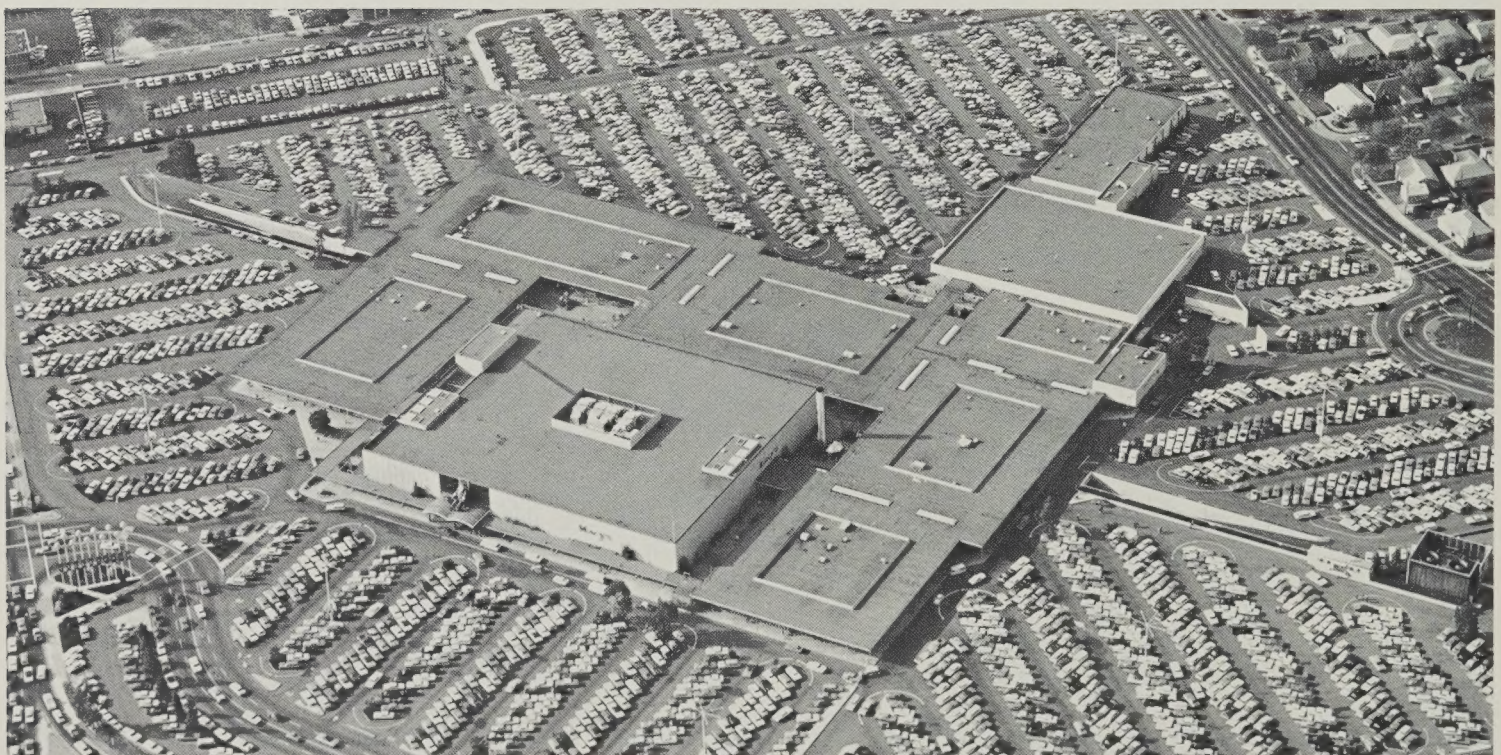
CITY OF SAN JOSE
Taxable Transactions 1975
(\$000 omitted)

Type of Outlet	No. of Permits	Taxable Transactions①
Apparel stores	279	\$ 74,481
General merchandise	97	247,619
Drug stores	95	25,358
Food stores	344	118,186
Packaged liquor stores	122	33,271
Eating and drinking places ..	785	127,043
Home furnishings, appliances	217	51,907
Building materials, implements	136	81,745
Auto dealers, auto supplies ..	226	190,494
Service stations	366	134,014
Other retail stores	810	143,135
Total retail	3,477	1,227,253
All other outlets	6,316	345,190
Total, all outlets	9,793	\$1,572,443

① Excludes food for home consumption, prescription drugs, and other items. Gasoline for highway use became taxable July 1, 1972.

Source: State Board of Equalization.

Valley Fair Shopping Center



Employment

The San Jose Labor Market includes all of Santa Clara County. This area is a highly-developed industrial, research, and educational center of employment for a labor force that ranks well above the average in educational attainment and income. According to 1970 Census data, more than 19.5 percent of the adult population in the county hold college degrees, and over 59 percent of the work force are classified as white collar workers.

Among the nine Bay Area counties, Santa Clara ranks first in manufacturing employment, second in construction and services jobs, and third in trade and government workers. The average annual income of industrial employees is the highest in Northern California and stems primarily from the educational level and degree of skills in the sophisticated electronics and computer industries.

The tabulation opposite sets forth the San Jose Labor Market growth in employment opportunities between 1970 and 1974. During this four-year span the number of nonagricultural wage and salary workers grew more than 24 percent. Above average rates of job growth were experienced in durable goods manufacturing, wholesale trade, financial services, and personal services. In 1974, over one-third of the total 469,600 nonfarm wage and salary workers were engaged in manufacturing. Other leading categories of employment were services (20%), wholesale and retail trade (19%), and government (15%).

As of November 1975, the State Department of Employment Development reported 477,400 non-agricultural wage and salary workers employed in the San Jose Labor Market, compared with 472,500 in November of 1974, and an additional 4,200 agricultural workers. Agriculture has steadily declined in recent years as a source of employment. In 1950 about 15 percent of the total work force in the county were classified as farm workers; by 1970 agriculture's share had declined to two percent.

There are more than 70 establishments in Metropolitan San Jose employing 500 or more persons. Over half of these firms are engaged in manufacturing, as shown in the summary to the right from a 1973 report of the U.S. Department of Commerce.

Nonmanufacturing and governmental organizations in the San Jose Metropolitan Area employing more than 1,000 persons include the City of San Jose, Santa Clara County, Stanford University, the Stanford Medical Center, Pacific Gas and Electric

Co., Pacific Telephone Co., San Jose State University, San Jose Unified School District, Cupertino Elementary School District, Palo Alto Unified School District, and the U.S. Naval Air Station at Moffett Field.

SAN JOSE LABOR MARKET

Nonagricultural Wage and Salary Workers By Industry

Industry	1970	1974	Percent Change
Construction	17,600	19,900	13.1
Manufacturing	123,500	158,900	28.7
Transportation, Utilities	17,000	19,000	11.8
Wholesale Trade	14,900	19,300	29.5
Retail Trade	56,100	69,500	23.9
Finance, Insurance, and Real Estate	13,100	17,900	36.6
Services	75,500	94,000	24.5
Government	60,000	71,000	18.3
Other	100	100	—
Total	377,800	469,600	24.3

Source: State Employment Development Department.

METROPOLITAN SAN JOSE

Establishments with 500 or More Employees

	1973
Manufacturing	
Ordnance and accessories	5
Food products	1
Printing and publishing	1
Chemicals	1
Rubber and Plastic Products	1
Stone, clay, glass	1
Nonelectrical machinery	6
Electrical equipment	19
Transportation equipment	2
Instruments	1
Administrative and auxiliary	3
Subtotal—Manufacturing	41
Transportation, public utilities	2
Wholesale trade	2
Retail trade	10
Finance, insurance, real estate	4
Services	15
Total	74

Source: County Business Patterns, U.S. Department of Commerce.

Industry

There are more than 1,600 manufacturing firms in Metropolitan San Jose, and today manufacturing is the most important industry in the county. Manufacturing activities cover a wide range of products, from agricultural implements to sophisticated electronics equipment. Although Santa Clara County is still one of the nation's major food processing centers, the agricultural sector has lessened in relative economic importance. While the trend toward greater manufacturing activity began in the early 1940's, the year 1950 marked the beginning of a major influx of large manufacturing firms and expansion which has continued to date.

Metropolitan San Jose ranked second only to Los Angeles County in total manufacturing wages and salaries paid in the 1972 Census of Manufactures for California. Industrial payrolls exceeded those of any county in Northern California and were appreciably ahead of Orange County, the third ranking area. Manufacturing firms account for approximately 40 percent of all wages and salaries paid by employers under unemployment insurance programs in the San Jose Area.

The tabulation on page 27 lists industrial firms in the San Jose Metropolitan Area with 500 or more employees. Some of the larger companies are examined in greater detail in paragraphs that follow.

The largest general category of manufacturing is the aerospace industry, comprised of three basic industries: electrical equipment, instruments, and ordnance. Aerospace has been by far the fastest growing of all manufacturing categories. Highly developed research facilities at Stanford University, the Stanford Linear Accelerator Center, and the Ames Research Center (NASA) have contributed to this growth.

Within the aerospace category, electrical equipment and ordnance are the major employers. There are approximately 280 firms in the electrical equipment field in the area, with employment ranging from one to over 5,000 employees. Some of the larger firms in this category are Fairchild Camera and Instrument Company, General Electric Company, Hewlett-Packard Company, Raytheon, Signetics, Aeronutronic, Sylvania, Teledyne, Varian Associates, Western Electric, and Westinghouse Electric Company. The two major firms in the field of ordnance are Lockheed Missiles and Space Company and FMC Ordnance Group (Food Machinery and Chemical Corporation), who have combined employment of approximately 19,000 persons. The

importance of the aerospace industry is illustrated in the summary below. Total employment is 91,200, or more than 59 percent of the entire manufacturing employment in the county.

METROPOLITAN SAN JOSE

Estimated Number of Workers in Aerospace

	1967	1970	November 1975
Electrical Equipment .	40,000	46,400	65,400
Ordnance	28,700	20,100	22,200
Instruments	1,800	2,200	3,600
Total	70,500	68,700	91,200

Although the aerospace industry is an important segment of the local economy, it is balanced by a spectrum of other manufacturing categories. Growth in nonelectrical machinery, instruments, printing and publishing, and transportation equipment has been substantial, while food-related manufacturing has declined as a percent of total manufacturing. In the nonelectrical machinery industry, some of the larger firms in Metropolitan San Jose are International Business Machines, FMC (Canning Machinery Division and John Bean Division), Vidar Corporation, and United Centrifugal Pumps. The larger firms in the professional, scientific, and controlling instruments category are Beckman Instruments and Spectra Electronics, Incorporated.

Some of the nationally-known firms which make up the general base of industry in Metropolitan San Jose are Ford Motor Company, Kaiser Cement and Gypsum, Owens-Corning Fiberglas, and Kaiser Aluminum and Chemical Corporation. In fabricated metals, there are such firms as Continental Can Corporation, Pittsburgh-Des Moines Steel, Owens-Illinois Incorporated, and San Jose Steel Company.

LOCKHEED MISSILES AND SPACE COMPANY. Lockheed, largest employer in Metropolitan San Jose, employs 17,000 at its Sunnyvale and Palo Alto facilities. Basically a missile and satellite manufacturing complex, the local Lockheed installation represents a diversity of research and production capability and is the most profitable of Lockheed's enterprises.

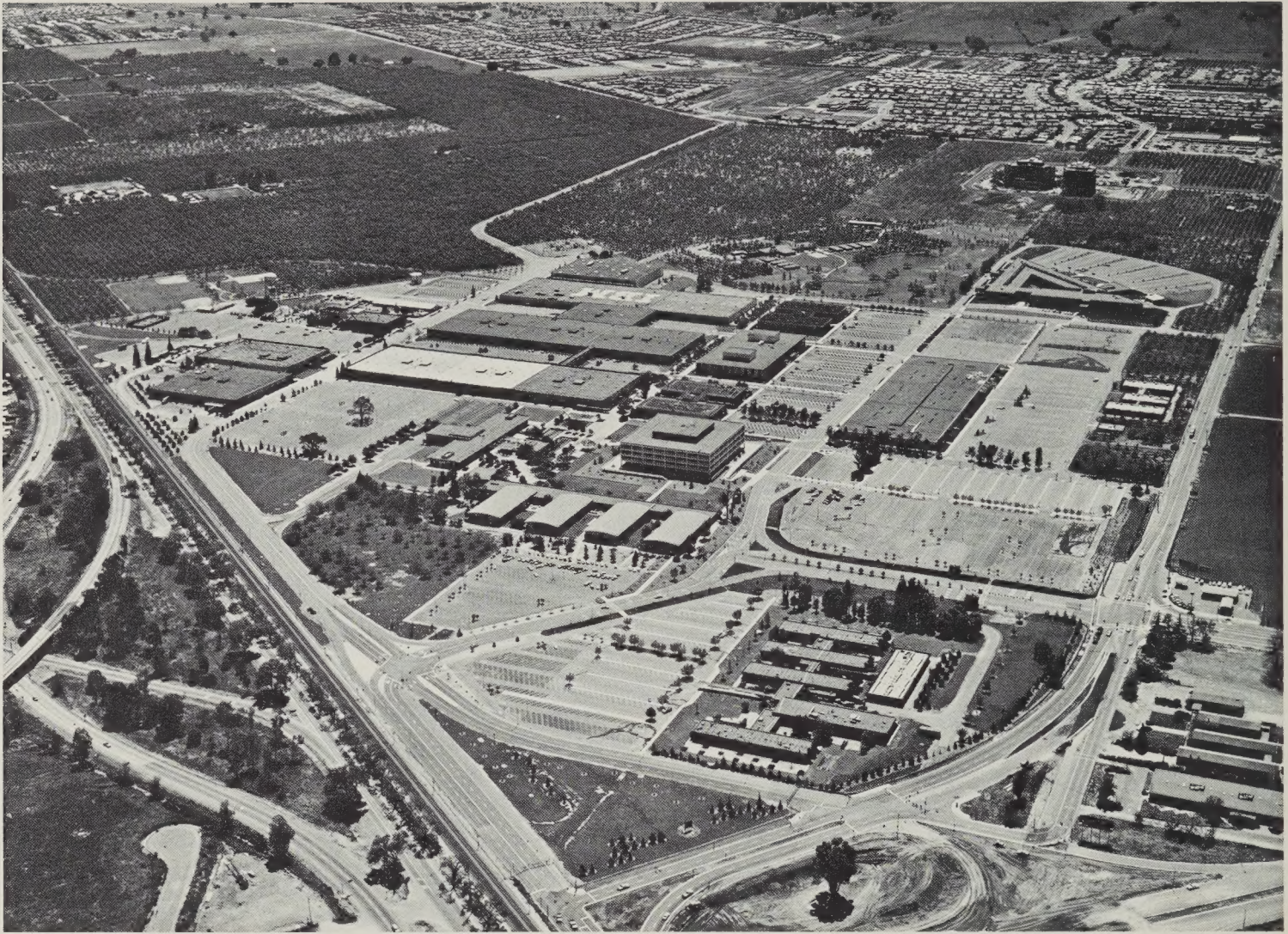
In recent years, the company's principal product developments at the local plants have been the Trident and Poseidon submarine-launched ballistic missiles. Other programs at local Lockheed facilities

SAN JOSE METROPOLITAN AREA

Industrial Firms Employing 500 or More Persons

Company	Product or Service
Over 2,000 Employees:	
Fairchild Camera & Instruments, Mt. View	Electronic products
Ford Motor Company, Milpitas	Auto, truck assembly
FMC Corporation, San Jose	Trucks, armored cars
Hewlett-Packard Co., Palo Alto	Measuring instruments and equipment
International Business Machines, San Jose	Data processing systems
Lockheed Missile & Space Co., Sunnyvale	Missiles and space systems
Aeronutronic, Palo Alto	Aerospace research
Stanford University, Stanford	University, basic research
Varian Associates, Palo Alto	Electronic equipment
Westinghouse Electric Corp., Sunnyvale	Marine specialty products
1,001-2,000 Employees:	
General Electric Co., San Jose	Nuclear power products
Memorex Corp., Santa Clara	Magnetic recording tape
National Semiconductor Corp., Santa Clara	Electronic circuits
Northwest Publications, Inc., San Jose	Newspaper
Raytheon Co., Mt. View	Semiconductor components
Signetics Corp., Sunnyvale	Electronic components
United Technologies Corp., Sunnyvale	Rocket engines
501-1,000 Employees:	
American Micro-Systems, Inc., Santa Clara	Electronic components
Arcata Graphics, Inc., San Jose	Publishing and commercial printing
Beckman Instruments, Inc., Palo Alto	Precision instruments
California Canners & Growers, San Jose	Canned fruits and vegetables
Del Monte Corp., San Jose	Canned fruits and vegetables
Gilroy Foods, Inc., Gilroy	Dehydrated onions, garlic
Hewlett-Packard Co., Cupertino	Mini-computer system
Hewlett-Packard Co., Santa Clara	Laboratory instruments
Information Storage Systems, Cupertino	Electronic computer equipment
Itek Corporation, Sunnyvale	Electronic components
Kaiser Cement & Gypsum Corp., Permanente	Cement
Litronix, Inc., Cupertino	Electronic semi-conductors
Owens-Corning Fiberglas Corp., Cupertino	Fiberglass insulation
Sun Garden Packing Co., San Jose	Canned fruits and vegetables
Syntex Laboratories, Inc., Palo Alto	Pharmaceuticals
Vidar Corp., Mt. View	Electronic equipment
Watkins-Johnson Co., Palo Alto	Electronic components, assessories

Source: City of San Jose, Office of Economic Development.



The International Business Machines Corporation facilities in San Jose

have been the Polaris missile, the Agena space vehicle, the eight-wheeled combat assault vehicle known as "Twister" and a Deep Submergence and Search Vehicle. In 1968, the crew of a research submarine "Deep Quest" took the craft to a record depth of 8,310 feet in the Pacific.

Management officials of the parent company have pointed out that this division has not been affected by the widely-publicized troubles experienced by Lockheed elsewhere.

GENERAL ELECTRIC CO. GE plants and laboratories in Metropolitan San Jose employ a total of 5,539 persons. Located in San Jose are production facilities of Vertical Motor Products and the Nuclear Energy Division. The Breeder Reactor Operation and Space Systems Organization facilities are at Sunnyvale, and the Time Sharing Computer Service is located in Palo Alto.

IBM CORPORATION. IBM operations in Metropolitan San Jose encompass a variety of activities from fundamental research through production and

installation of equipment. Total employment of the corporation in this area is estimated to be approximately 8,000 persons.

Largest of the company's local facilities is the complex located at Monterey and Cottle Roads in southeastern San Jose. The 356-acre site is the scene of research, education, systems development, testing and manufacturing. There are 17 buildings with over a million square feet of space. One of IBM's Systems Manufacturing Division facilities is also located here. Magnetic disk storage units for computers are a main product, although the plant also manufactures advanced data acquisition and control systems and instructional systems. The San Jose Laboratory of the Systems Development Division conceives and develops tomorrow's IBM systems. Activities include not only advanced development technology, components, and systems, but market analysis and product planning. The Research Laboratory carries out research in chemistry, physics, engineering, and the data processing field.

The Product Testing Laboratory tests and evaluates new products before shipment to customers. These tests range from those of electrical and mechanical changes to small components, up to a complete data processing system. Also on the site is an Education Center operated by IBM's Data Processing Division. This facility is the center for educational programs attended by both IBM and customer personnel.

HEWLETT-PACKARD CO. Hewlett-Packard, which employs 30,000 people in seven states and six foreign countries, is the second largest industrial employer in the San Jose Metropolitan Area. Some 9,600 employees produce computers, calculators, and semiconductors at plants in San Jose, Palo Alto, Cupertino, Mountain View, and Santa Clara. Hewlett-Packard was established in Metropolitan San Jose more than 25 years ago, and maintains world headquarters at Palo Alto.

FMC CORPORATION. Formerly Food Machinery and Chemical Corporation, FMC was founded in 1883 and is the city's second largest manufacturing employer, with approximately 4,200 employees. The corporation's wide variety of products include machinery, chemicals, fibers, ordnance, personnel car-

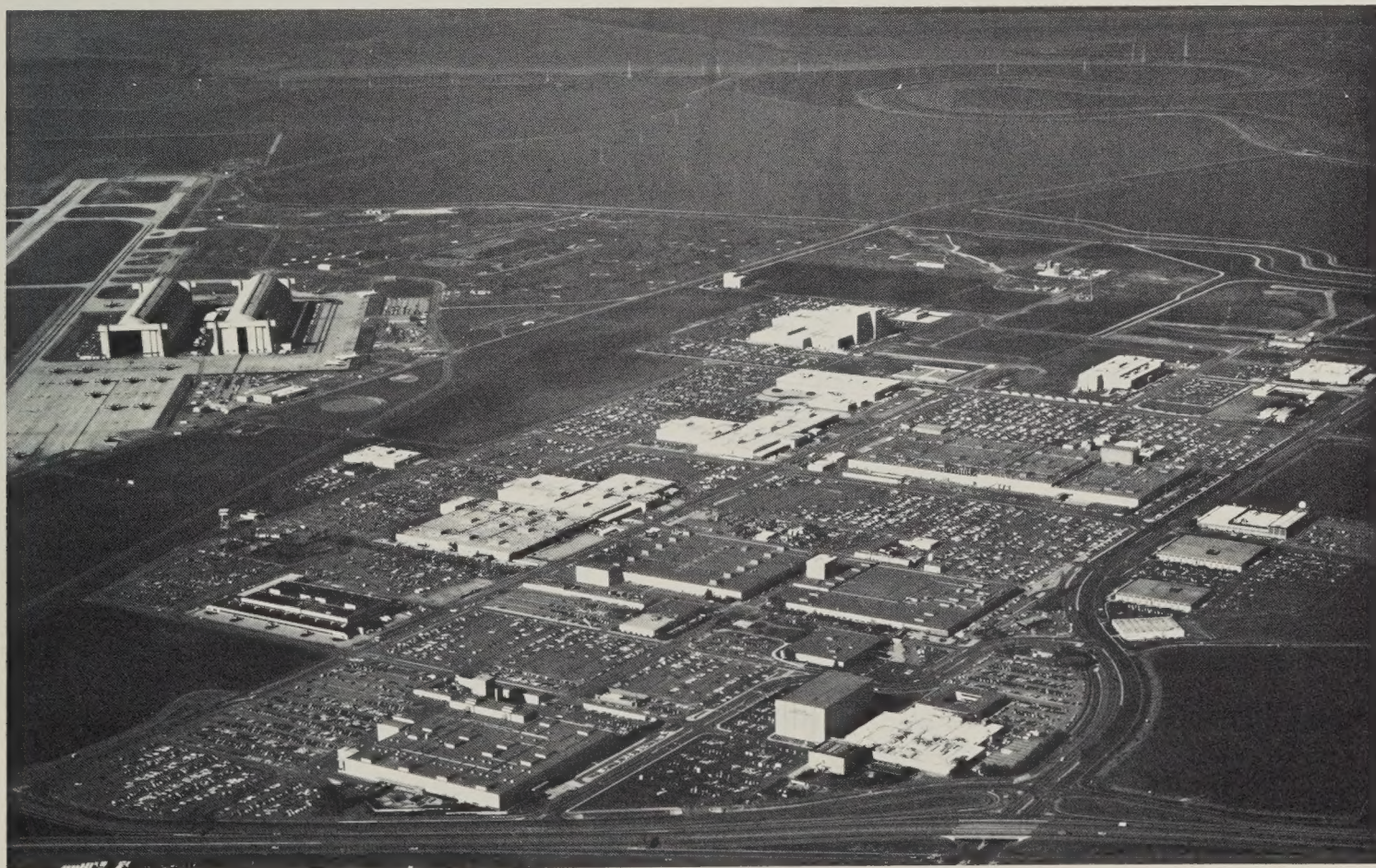
riers, and packaging films which are supplied to almost every segment of industry, agriculture, and national defense.

Located in San Jose are some of the largest manufacturing and sales facilities for its various divisions, including Advanced Products, Central Engineering, Engineered Systems, FMC Machinery International, Ordnance, Agricultural Machinery, Food Processing Machinery, Agricultural Chemicals, Airline Equipment, Motor Coach, and Film and Packaging.

FORD MOTOR COMPANY. Ford's San Jose Assembly Plant in the adjacent community of Milpitas employs about 3,000 workers, with a total annual payroll in excess of \$40 million. The San Jose plant produces commercial vehicles and smaller passenger vehicles of the type now popular among many car buyers.

NASA, AMES RESEARCH CENTER. With 1,800 employees, Ames ranks as one of the largest employers in the area. This Mountain View facility carries on vital work in space and life science research and development. A large wind tunnel is available for testing of aircraft and spacecraft configurations.

The Lockheed Missile and Space Company plant and the adjacent Moffett Field Naval Air Station





Ford Motor Company

Building and Construction

The Metropolitan San Jose Area has consistently led all Bay Area counties in new residential construction for both single family and multi-family dwelling configuration, with dollar valuation of residential construction normally accounting for about 60 percent of all building permits.

In 1974 Santa Clara County was fourth among California counties in total valuation of building permits, ranking only behind Los Angeles, Orange, and San Diego Counties. It was far ahead of all other Northern California counties in all major categories of construction, with the exception of new industrial permit valuation. Solano County, by virtue of a \$40 million brewery, recorded an industrial valuation of \$82,998,000, while that for Santa Clara County was \$82,634,000.

For the five years ending in 1974, the City of San Jose reported nearly 44 percent of aggregate residential permit values, and over 30 percent of total nonresidential permit valuation in Santa Clara County. San Jose had approximately 64 percent of all permits for single family homes.

Downtown Redevelopment

More than \$322 million in new and committed developments have transformed San Jose's central business district in the past ten years. The catalyst for this transformation was Park Center Financial Plaza, now nearing completion of its \$73 million master plan. Located here are the regional headquarters for seven national banks, several departments of the City of San Jose, and a number of nationally prominent firms. Rounding out this devel-

opment will be commercial office space and restaurant facilities.

The 240-room Holiday Inn, featuring a major convention facility, opened in September 1974 within the Park Center Plaza area.

San Jose Plaza is the core area's most recently completed office tower complex, consisting of two adjacent 13 and 14-story structures and an 850-space garage.

Paseo de San Antonio and San Antonio Plaza represent a \$155 million investment in redevelopment of the area between Park Center Plaza on the west and the burgeoning campus of San Jose State University to the east. Paseo de San Antonio, now complete, will serve a variety of retail and commercial needs. San Antonio Plaza will have a 750-unit apartment complex, underground parking for 1,200 cars, retail space, two office towers, and a high rise hotel.

Planned for a 95-acre area west of Park Center Plaza is Park of the Guadalupe. Within this area will be Plaza de Guadalupe, including a Mercado Complex and a Mexican Cultural and Trade Center.

Foreign Trade Zone

San Jose Foreign Trade Zone No. 18 is located in the 350-acre International Business Park, located immediately northeast of the Rincon de los Esteros redevelopment area, near the San Jose Municipal Airport. Foreign and domestic merchandise may be moved into the zone for storage, exhibition, manipulation, manufacture, or other processing without payment of Federal duties or excise taxes until the goods

leave the zone. There is no time limit on storage of goods and components.

Agriculture

Although population growth, industrialization and urbanization have caused a decline of agricultural activities and farm employment in the county, farm production has remained surprisingly high. In 1974 the gross value of all crops was \$96,426,700, compared with \$65,536,350 in 1970. Nursery stock and cut flower production has increased sharply in recent years, offsetting the steady drop in production of fruits and nuts. The cultivation of vegetables has also shown considerable strength in the past two years.

Utilities

The City of San Jose is served by the following utilities:

Electricity: Pacific Gas and Electric Company

Gas: Pacific Gas and Electric Company

Telephone: Pacific Telephone Company

Water: San Jose Water Works

Transportation

Two major railroads, a modern system of highways and freeways and a growing airport complex have contributed to the industrial, commercial and residential expansion of Metropolitan San Jose. This highly developed transportation network provides ready access to national and international markets.

Southern Pacific and Western Pacific provide main line rail service to the area. Both railroads serve the east shore of San Francisco Bay, while Southern Pacific provides freight and daily commuter service north on the Peninsula to San Francisco. These two rail lines bisect the industrial areas of San Jose. Within the city, there are central switching yards with ramps for piggyback loading and cranes for handling of containerized freight.

Approximately 65 interstate trucking firms and over 400 local and regional contract carriers serve Metropolitan San Jose. Motor passenger and parcel service are made available by Greyhound Bus Lines and Peerless Stages with overnight deliveries to all major cities in California. Local bus transportation is offered by Santa Clara County Transit District.

Deepwater transportation is available at the Port of Redwood City, 25 miles north. Ports at San Francisco and Oakland are well-equipped to handle

all types of coastal and overseas cargo. All three ports are conveniently accessible by freeway from San Jose.

Interstate 280, Interstate 680, US 101, and State Route 17 all intersect in downtown San Jose, providing an efficient highway grid serving the city and surrounding area.

Community Facilities

The City of San Jose has six general hospitals with a combined capacity of 2,126 beds. Stanford Medical Center in Palo Alto has 600 beds and unexcelled equipment for major surgery, including heart transplants. There are 50 convalescent hospitals and nursing homes in Metropolitan San Jose, many with 50-100 beds and two with more than 100 beds. Medical and health services are provided in San Jose by 681 physicians and surgeons. Some 311 dentists, 69 optometrists, and 93 chiropractors practice in the community.

In 1970 the city opened a \$4 million main library facility in the downtown area. The library system operates 12 branch libraries and a bookmobile. San Jose's public library circulates nearly three million books each year.

The San Jose Center for the Performing Arts (formerly the Community Theatre) is located in the center of the city, and forms the hub of a growing cultural development program in San Jose. The modernistic structure, seating 2,700 people, is considered one of the finest theatres in the country.

The city has two major newspapers, nine radio stations, a TV cable system, and three TV channels received direct.

One of the oldest established symphony orchestras in the nation, the San Jose Symphony, traces its roots back over a century. It has been accorded national recognition as a Metropolitan Orchestra by the American Symphony Orchestra League. Also adding to the cultural life of the city is the San Jose Museum of Art.

The Civic Auditorium, located near the Performing Arts Center, seats 3,500, and is utilized for conventions and social events.

The city has two stadiums. Municipal Stadium, occupying a 23-acre downtown site, hosts the San Jose Bees of the California baseball league. The San Jose Spartan Stadium seats 18,300 for San Jose State University games and is the home stadium of

the Earthquakes, San Jose's major league professional soccer team.



San Jose State University—School of Business

Education

The caliber of secondary education in San Jose reflects the community-wide interest in this subject and the large number of degree-holders living in the area. The San Jose Unified School District, which serves the greater part of the city, operates 31 elementary schools, 5 junior high schools, and 6 high schools. Enrollment has remained steady at approximately 36,000 over the past three years.

Between high school and the four-year institutions are the locally-supported and administered community colleges. Within the city limits is San Jose City College with a faculty of 350 and more than 6,000

students. In neighboring communities are De Anza College, Foothill College and West Valley College. All are within convenient driving distance from any part of San Jose. Total enrollment in these community colleges is over 35,000 students.

Metropolitan San Jose is the home of the oldest institution of higher education in the West, the University of Santa Clara, which traces its founding to 1851. It is also the home of the oldest public educational institution in California, San Jose State University, which opened in 1857. Another prestigious seat of learning, Stanford University, dates from 1885. Located within a 50-mile radius of San Jose are the University of California at Berkeley, University of California at Santa Cruz, St. Mary's, the University of San Francisco, and the San Francisco and Hayward campuses of the State University and College System.

Recreation

The city maintains 170 school playgrounds and 70 public parks, including 776-acre Alum Rock Park and the Municipal Rose Gardens. Commercial amusement centers include the Winchester Mystery House, Frontier Village, and 50 theatres. Other attractions are Marriott's Great America, the Egyptian Museum, Japanese Friendship Gardens, San Jose Municipal Baseball Park, Santa Clara County Fairgrounds, Alviso Yacht Harbor, 11 eighteen-hole golf courses, and five nine-hole golf courses.

Sailing and power boat enthusiasts make use of the many marinas and docking facilities in San Francisco Bay and the resorts along the Pacific shoreline. Those who enjoy hiking or camping find outlets in the Santa Cruz Mountains, southwest of the city. The beaches at Santa Cruz and adjacent areas are less than an hour's drive from the city. Deep-sea fishing parties are scheduled regularly the year-round from Santa Cruz and Half Moon Bay. Road racing is offered at Laguna Seca, north of Monterey.

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